Navitas Limited

ABN 69 109 613 309

Financial Report

30 June 2016

Contents

Navitas' vision is to be one of the most trusted learning organisations in the world and its core purpose is to deliver quality student outcomes and student experience through strategic partnerships. I believe Navitas can achieve these goals via an ongoing commitment to world class quality, sustainable growth and global efficiency.

World class quality
Navitas was founded on its commitment to student outcomes and continues to demonstrate this across all its operations globally. This was evidenced in the 2016 financial year by a number of highlights including improvements in already high University Partnerships pass and progression-to-university rates, as well as favourable regulatory reviews in key regions. Extensive surveys of students and graduates also showed continued high satisfaction with the quality of teaching and programs.

Closely aligned with our focus on students is a commitment to partners around the world - be they universities, government or industry. The Company continued to work closely with its partners over the year to deepen its relationships and to better understand and deliver on key priorities.

Finally we have a commitment to our staff and our wider community. Providing high quality education and training to tens of thousands of students and clients per year adds immeasurable value to our societies. I am also proud of the progress Navitas made in the year to improve the health and well-being of our staff and the communities we interact with. You can read more on page 18.

Managing risk and supporting the senior executive team through a challenging transitory period has also been a key focus. The Company continues to reposition itself for the future and is constantly evolving, externally and internally.

Sustainable growth
Although a challenging year, Navitas achieved a 3% increase in revenue and a 1% increase in EBITDA for the period taking Group revenue above $1 billion for the first time. This demonstrates solid underlying growth across the Company's core business and highlights the potential of ongoing new business development opportunities.

Navitas continues to develop these organic growth opportunities while refining its long term growth strategy. This will include a greater focus on industry partnerships and pathways to employment as well as new business models in the education and training sector. Navitas is also addressing technological change in the education sector by partnering with EduTech accelerators such as EduGrowth.

Global efficiency
Another priority for the Board has been improving global efficiency to ensure that resources are prioritised on delivering quality student outcomes and meeting partner objectives. This included introducing new processes and systems to improve efficiency and ensuring best practice in student focused areas such as recruitment, admissions and Learning and Teaching, as well as via corporate support functions such as Finance, IT and HR. Efficiency gains were made during the year as part of a program that will extend into 2017 and beyond.

This work is creating the right platform to position Navitas for future growth, both within and outside traditional markets.

Governance
A key focus of the Board is governance. Our full corporate governance statement is available online, and I would encourage shareholders to read it in full, but a few points are worth highlighting.

Succession planning is critical to the ongoing success of Navitas and the Board has focused on Director and Senior Executive capability and renewal in the year. At a Board level this has included welcoming Lisa Paul as a new Non-Executive Director and the announcement of my imminent retirement from the role of Chairman following the Annual General Meeting. I am pleased that the Board has appointed Tracey Horton to succeed me as Chairman. I will continue to offer my services as a Non-Executive Director for the remainder of my term.

At an executive leadership level we appointed a new CFO and CIO during the year and made changes in a number of other senior roles across the Group. Ongoing succession planning for key roles, including the Group CEO, remains a priority for the Board.

Dividend and Share Buyback
The Company has delivered a fully franked full year dividend of 19.5 cents per Share in the 2016 financial year. The Dividend Reinvestment Plan will continue and we are still managing an active Share buy-back program. To date approximately 19% of the buy-back has been fulfilled and the Company will continue to purchase shares, when appropriate, with a focus on value accretion. The

objective of the buy-back is to ensure the Company maintains a suitable capital position while maintaining its flexibility.

In closing I would like to thank the Board and all Navitas employees for their contribution to a sound performance for the year and their willingness to embrace the changes needed for a successful future.

Harvey Collins
Chairman

Throughout the 2016 financial year Navitas continued to pursue its vision and purpose with a focus on world class quality, sustainable growth and global efficiency.

World class quality
High quality student outcomes continued to be delivered across all Divisions and regions. This included pass rates of over 80%, retention rates of over 85% and progression to university rates of over 90% across the University Partnerships Division. SAE achieved some strong results in an independent survey run for the Australian Department of Education, including outperforming some of Australia's top universities on learner engagement and student support, and Professional and English Programs ELICOS colleges were voted the best in Australia by students.

We also strengthened the world class quality of our learning and teaching capability by developing a global learning and teaching function to support our teachers and academic staff across all divisions and regions. This global function not only improves the sharing of global innovations in learning and teaching but also facilitates the development of internal capability and best practice.

Navitas continued to enhance its strategic partnerships with universities, governments and industry and in the year opened two new pathway colleges and renewed all maturing university agreements. The Company progressed an initiative to better manage our relationships with universities to meet their strategic objectives.

We also relaunched our wellness, health and safety program across the Group and saw improvements in diversity across all levels. I am particularly proud of the Navitas Education Trust which, for the fourth year, supported not-for-profits to improve access to, and the quality of, education in areas of need.

Navitas' executive leadership team capacity and depth was enhanced by a number of new executives in key roles, such as the CFO and CIO, as well as the inclusion of representatives from the core University Partnerships regions of North America and Europe for the first time. This refreshed and expanded team is now well positioned to support Navitas' ongoing transition as the Company continues to adapt to its evolving landscape.

Sustainable growth
Navitas has delivered on expectations, meeting our FY16 earnings guidance by recording EBITDA of $164.6m, despite the completion of the Macquarie contracts and the closure of Curtin Sydney. This result highlights the strong underlying growth of the business. It's also worth highlighting that Navitas' revenues exceeded $1.0b for the first time, a notable achievement.

This growth resulted in continued wealth creation for key stakeholders including partner universities, staff, shareholders and governments.

$m	**FY16**	**Change %**	**Distribution %**
Operating revenue	1,010.7	3	
Cost of services and other external costs	(279.7)	6	
Total wealth created	**731.0**	**2**	
Payments to university and consortium partners	175.3	0	24
Payments to teaching and academic employees	241.3	2	33
Payments to other employees	154.8	5	21
Payments to shareholders – dividends	74.1	1	10
Payments to governments – income taxes	37.3	(6)	5
Reinvested as depreciation, amortisation and retained earnings	48.2	4	7
Total wealth distributed	**731.0**	**2**	**100**

This wealth creation continued despite a mixed operating environment globally. While international education policy settings in Australia, Canada and the US remained supportive, the UK student visa regime continued to be restrictive and is not likely to improve in the near future. In addition, changes to vocational education funding systems in Australia have limited vocational growth opportunities for high quality providers like Navitas and are unlikely to be improved until 2017.

However, global demand for international education continued to grow in 2016 as rising wealth, improving secondary education systems and lack of tertiary infrastructure encouraged more than 4.5m students to study overseas.

Global efficiency
Navitas has a focus on capital and operational efficiency. In FY16 this was demonstrated by:

- The creation of shared services centres across a number of support areas, and
- The closure of one University Partnerships college and proposed closure of four sub-scale SAE campuses.

Strategy
Navitas' vision is to be one of the most trusted learning organisations in the world and its core purpose is to deliver quality student outcomes and student experience through strategic partnerships.

FY16 was a period of consolidation for Navitas with significant internal restructuring to better position the Company for long term growth. This included a strong focus on improving efficiency across all Divisions and functions with key achievements being:

- The reorganisation of the University Partnerships Division to operate under three core regions – Australasia, North America and Europe;
- The creation of a global Learning and Teaching function to drive academic innovation and best practice across the Company; and
- The creation of shared service centres for core support services such as Finance, IT, Property and HR.

This work will continue into FY17. As well as driving efficiency in FY17 and beyond, it creates a solid platform for future growth for the Company. This platform will allow Navitas to continue to pursue organic growth opportunities as well as invest in new ventures and ways to grow the business.

Outlook
Navitas expects FY17 EBITDA will remain broadly in line with the FY16 result.

This takes into account solid underlying organic revenue growth in core markets and the final financial impact of closing the Macquarie and Curtin Sydney colleges in Australia in H1 FY17.

However the future of global education remains highly promising with sustained demand for high quality education and training. This is reflected in the underlying growth demonstrated this year and expected in the coming year across the Group.

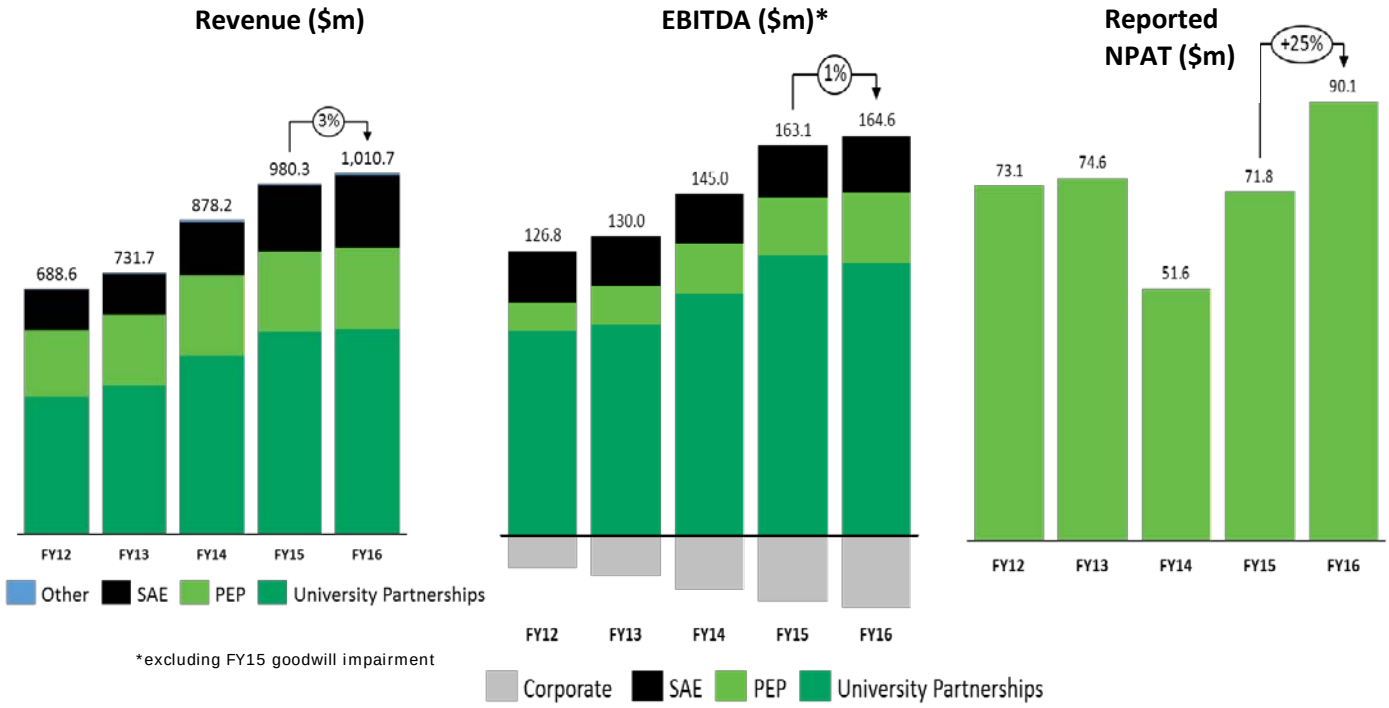
In closing I would like to thank all Navitas staff for their support to deliver solid underlying growth in the 2016 financial year and for their hard work to effect change as we develop a platform for another 20 years of Navitas growth.

Rod Jones
Group Chief Executive Officer

Navitas Financial Performance

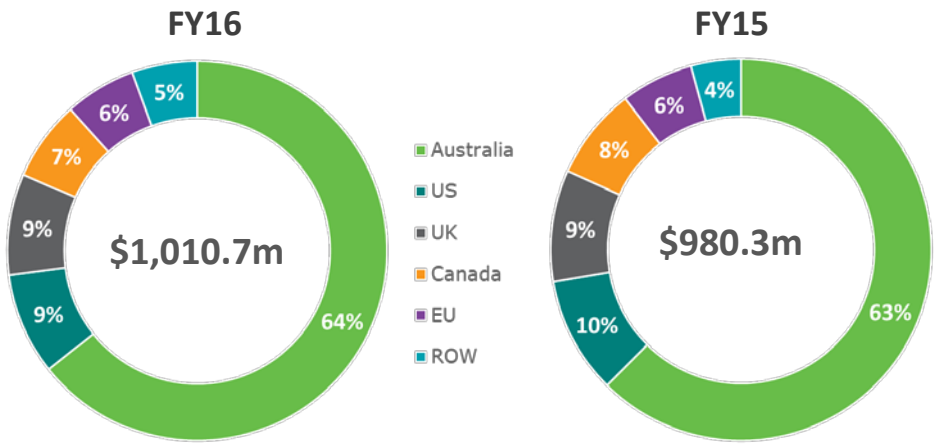
Navitas' (the "Group" or "NVT") results for the year ended 30 June 2016 and the prior corresponding period (pcp) are shown below.

	Year ended 30 June 2016	Year ended 30 June 2015*	% growth vs pcp (actual FX)	% growth vs pcp (constant FX)
Total revenue ($m)	1,010.7	980.3	3	1
Underlying EBITDA ($m)*	164.6	163.1	1	1
Reported NPAT ($m)	90.1	71.8	25	
Reported EPS (cents)	24.0	19.1	26	
Full year dividend (cents)	19.5	19.5	-	
Dividend yield (%)	3.6	4.5	(0.9)	



*excluding FY15 goodwill impairment

Total revenue increased by 3% to $1,010.7m (FY15: $980.3m) with underlying growth being offset by the transition to closure of three University Partnership colleges. Revenue was distributed geographically as below:



In line with guidance provided to the market, Group underlying EBITDA increased by 1% to $164.6m (FY15: $163.1m).

The Group and University Partnerships EBITDA margins decreased to 16.3% (FY15: 16.6%) and 24.0% (FY15: 24.7%) respectively, largely due to the effect of margin decline in SIBT - formerly one of Navitas' largest partnerships. The Professional and English Programs Division grew margins by 2.1% to 15.3% (FY15: 13.2%) as a result of a focus on efficiency and SAE held their EBITDA margin flat at 14.1% (FY15: 14.1%).

Divisional underlying EBITDA results are as follows:

$m	Year ended 30 June 2016	Year ended 30 June 2015*	% growth vs pcp (actual FX)	% growth vs pcp (constant FX)	30 June 2016 EBITDA margin (%)
University Partnerships	137.2	140.4	(2)	(2)	24.0
Professional and English Programs	35.1	29.5	19	-	15.3
SAE	28.5	26.1	9	8	14.1
Divisional EBITDA	200.8	196.0	2		
Corporate costs	(36.2)	(32.9)	10		
Group EBITDA	164.6	163.1	1	1	16.3

*excluding FY15 goodwill impairment

Navitas' Business Model
Navitas operates three Divisions which are primarily involved in the provision of high quality education services. While each Division is unique, the following items are evident in each:

- Students are recruited appropriately to a wide range of courses and programs around the world;
- Commissions are often paid to independent student recruitment agents who provide counselling to students and progress them through the student visa process;
- In the majority of cases tuition fees are received in advance which drives Navitas' negative working capital model;
- Students requiring face-to-face teaching are accommodated in facilities which, in the majority of cases, are either leased from third parties or provided by institutions under various partnership agreements;
- Curricula are either developed and submitted for accreditation by Navitas or secured under partnership agreements; and
- Most costs in the business including teaching costs are variable. There is an element of fixed costs required to set up, run and administer Navitas colleges.

Operating environment
While international education policies in Australia, Canada and the US remained supportive, the UK student visa regime continued to be restrictive and is not likely to improve in the near future. In addition, the recent EU referendum could cause some medium term uncertainty.

The Australian policy regime saw the most positive changes with the launch of a 10 year National Strategy for International Education and the introduction of the new Simplified Streamlined Visa Framework (SSVF) on 1 July 2016. As well as widening access to streamlined visa processing the SSVF has reduced the number of student visa categories from eight to two and no longer restricts the length of time students can undertake English language study.

While higher education policy in Australia remained supportive, widespread reforms to Commonwealth vocational education funding has limited growth opportunities for quality vocational providers which is unlikely to be improved until 2017. These vocational reforms will continue to impact enrolments in some SAE and Professional and English Programs colleges in the medium term.

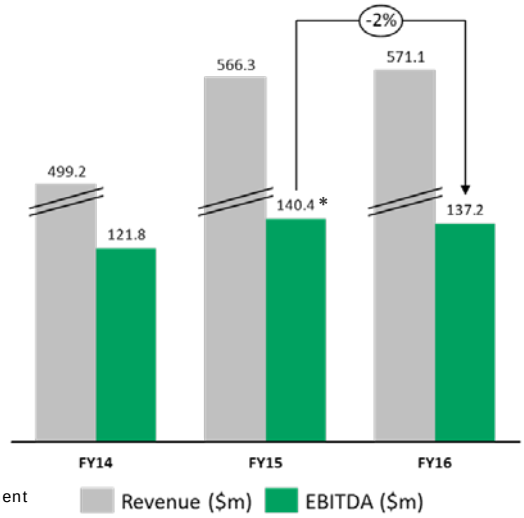
Segment overview

University Partnerships Division

Key Highlights

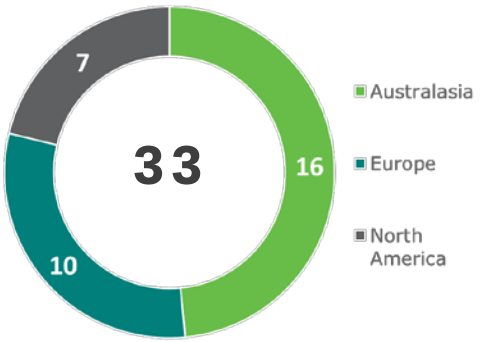
- Excellent pass rates of >80% and progression to partner university rates of >90%;
- Excellent student and graduate survey results indicating high levels of satisfaction with teaching and academic quality;
- Opening of two new colleges – Western Sydney University International College and University of Northampton International College;
- All maturing University Partnerships agreements renewed with no material changes;
- Discussions with potential new University partners continue; and
- The Division now operates under three key regions – Australasia, North America and Europe, with the heads of these regions part of Navitas' executive leadership team.

Financial highlights

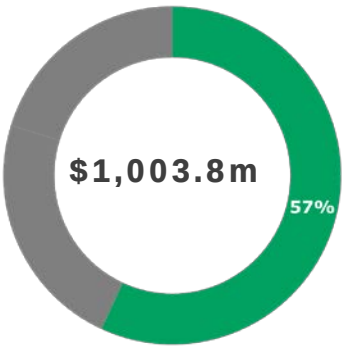


*excluding FY15 goodwill impairment

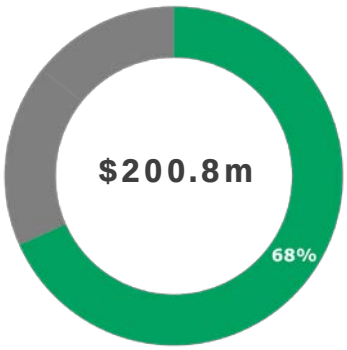
University Partnerships Colleges



% of Divisional Revenue



% of Divisional EBITDA



Overview of operations

The University Partnerships Division is a global leader in providing specialised and supportive pre-university and university pathway programs, enhancing students' probability of success in higher education.

The pathway program model focuses on providing pre and first-year university courses to international students from more than 140 countries who do not qualify for direct entry to partner universities due to either language or academic record. Some Australian and UK colleges also admit domestic students who do not gain direct entry to our partner universities.

University Partnerships courses are delivered via on-campus colleges, through an agreement with a partner university, in a structured environment aimed at maximising student success. This includes additional teaching hours, smaller class sizes and increased levels of learning support and pastoral care.

Upon completion students then qualify to enter the second year program at the partner university, with the final objective to receive a qualification from the university.

In FY16 the Division offered Certificate, Diploma, Associate Degree, Bachelor and Masters programs to more than 20,000 students in 33 colleges and managed campuses across Australia, New Zealand, Singapore, the UK, US, Canada and Sri Lanka.

Quality
The Division remains focused on academic quality and student outcomes working with partner universities to enhance academic and support services to students. The Division's 2015 annual review of academic quality and outcomes has continued to highlight pleasing results with:

- Pre university and pathway program pass rates of over 80%;
- Retention rates of over 85%; and
- A progression to partner university rate of over 90%.

More than 5,500 students and recent graduates participated in student satisfaction surveys in 2015. The results demonstrate a very high level of satisfaction with Navitas programs. Beyond the survey results, the success of these programs is further evidenced by the academic outcomes achieved, with Navitas students performing as well as international students who had gained direct entry to university.

Highlights include:

- Over 97% of surveyed students were satisfied with their teaching experience; and
- 98% of graduates surveyed were satisfied with the overall quality of their program of study at a Navitas University Partnership College.

Growth
The Division's FY16 enrolment growth was impacted by the closure of Macquarie and Curtin Sydney colleges. Equivalent full time student units (EFTSU) grew by 0%, 2% and 0% globally for each semester respectively in the year compared to pcp. Excluding these transitioning colleges EFTSU grew 2%, 4% and 11% globally for each semester. Average fee growth was ~5% across the Division.

The Division recorded a 1% increase in revenue to $571.1m (FY15: $566.3m) with EBITDA decreasing by 2% to $137.2m (FY15: $140.4m). There was strong earnings growth in North America, especially Canadian colleges and a solid contribution from UK colleges despite weak volume growth. Excluding closing colleges the Australasian region delivered solid underlying growth too.

Two new colleges were opened in the year – Western Sydney University International College and University of Northampton International College. The Division also renewed all maturing university agreements, under materially similar terms and conditions, and extended the PIBT agreement to allow enough time for negotiations on a longer term renewal in a new joint venture structure to conclude.

In addition the Division worked with university partners to develop a range of new courses and programs across all regions.

Efficiency
A number of initiatives were progressed in FY16 to improve efficiency across the Division. This included the closure of an under-performing college in the US, to the development of a central admissions and conversion centre to manage all UK college enrolment processes.

To recognise the Division's global scale the University Partnerships Division now operates under three key regions; Australasia, North America and Europe. Navitas' executive leadership team has also been expanded to include the leaders of the three key regions. Succession planning and personal development plans were also reviewed across key management positions in FY16.

Outlook
Underlying volume and fee growth in the Division's operations across all regions is expected to continue following ongoing demand globally for high quality education in key destination countries.

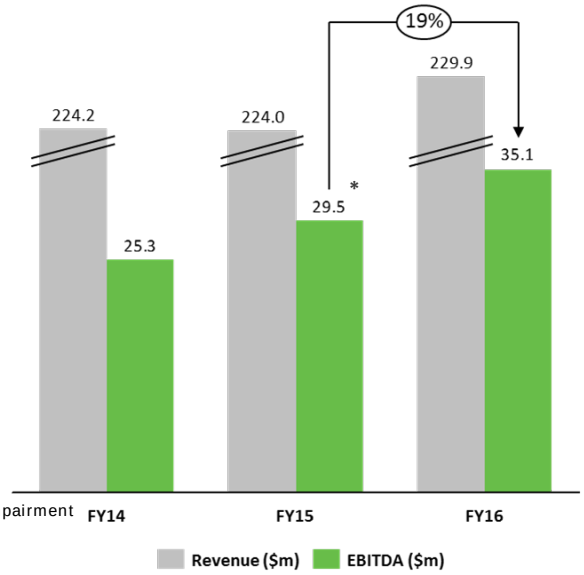
However, the Division's revenue and EBITDA will continue to be impacted by the completion of the Macquarie contract and the closure of Curtin Sydney.

Professional and English Programs

Key Highlights

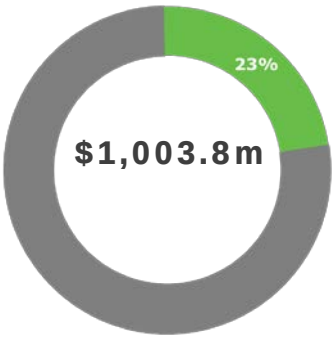
- Teaching quality at ACAP and NCPS rated highly by students in a national survey;
- Several Australian ELICOS colleges voted by students as the best in Australia;
- Sixth consecutive year of strong growth;
- Improved operational efficiency and cost controls across the Division delivers 2.1% margin improvement; and
- Solid growth from Careers & Internships, Australian College of Applied Psychology and Navitas College of Public Safety.

Financial highlights

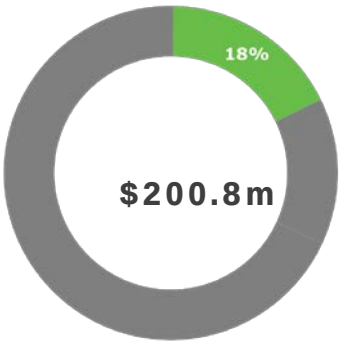


*excluding FY15 goodwill impairment

% of Divisional Revenue



% of Divisional EBITDA



Overview of Operations

The Professional and English Programs Division (PEP) comprises four business units:

- English and Foundation Skills: provides settlement services and English language and literacy programs principally to migrants and refugees settling in Australia. The programs, including AMEP, SEE and HSS, are funded by the Commonwealth government.
- Careers and Learning Skills: prepares students for further learning and enables students and clients to gain work experience, and ultimately employment, through English language courses, work skills and career services. Careers and Learning Skills includes ELICOS, Careers and Internships and the Navitas English Test Centre.
- Navitas Professional Institute: delivers programs to build and enhance careers in the Social, Community, Health and Education sectors. The unit includes ACAP, NCPS, HSA and ATTC.
- Training and Development: builds capacity, core skills and employee effectiveness in the resources sector and related industries. This includes the Navitas Resources Institute.

Quality

The Division continued to focus on academic quality and student experience in the year. Key achievements and highlights included:

- ACAP and NCPS students rated teaching quality, learning response and skills development above 85% in the National Quality Indicators for Learning and Teaching (QILT) survey; and
- Several Australian ELICOS colleges were voted as the best in Australia in the 2016 i-Graduate Language Barometer survey of over 11,000 students.

The Division continues to develop its human capital, investing in executive capacity through development programs and the recruitment of experienced teachers and administrators. This included significant work in succession planning.

Growth
The Professional and English Programs Division had a record year with a 3% increase in revenue to $229.9m (FY15: $224.0m) and 19% growth in EBITDA to $35.1m (FY15: $29.5m).

Much of this growth was delivered from a solid performance from Careers & Internships, ACAP and NCPS, as well as operational efficiency. EBITDA margins improved by 2.1% to 15.3%. Growth in some colleges was restricted by government reforms to the funding of vocational education in Australia.

Efficiency
A focus on efficiency continued in the year resulting in a reduction in divisional and operational costs. This included improved class utilisation, an increase in direct student recruitment and improved mix of programs and courses.

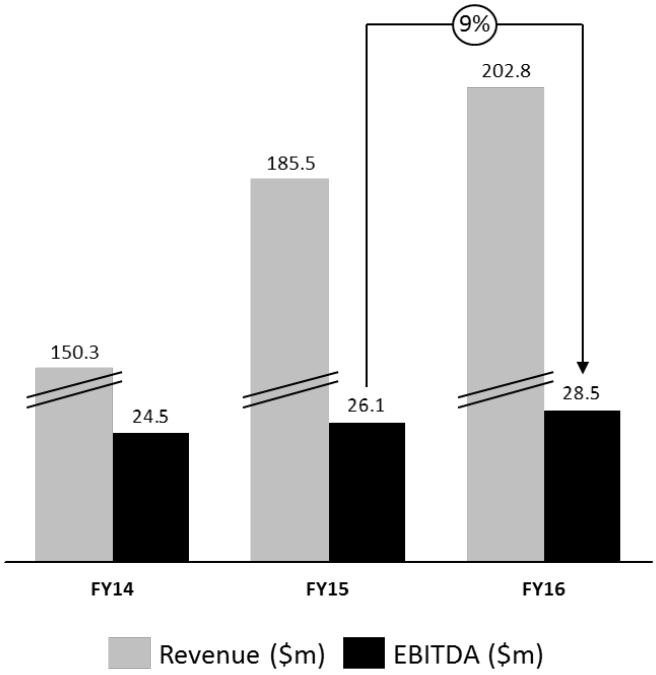
Outlook
The Professional and English Programs Division expects ongoing growth in FY17 though this will be moderated by the current, relatively restrictive, Commonwealth vocational education funding regime. Further reform is expected in the coming year with Navitas contributing to the development of a more sustainable and equitable funding model. The Division will also be re-tendering for the Adult Migrant English Program contract which is due to conclude on 30 June 2017.

SAE Division

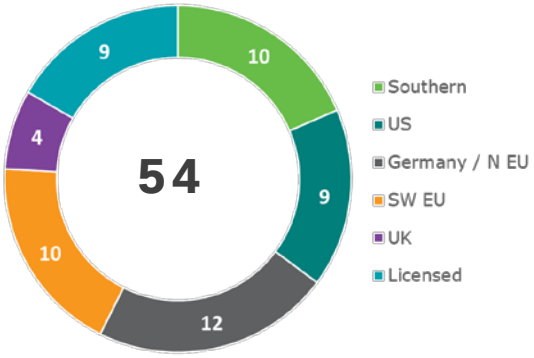
Key Highlights

- SAE recognised in a government survey for sector leading student support and engagement outcomes;
- Strong revenue growth in the US, Germany and Australia;
- Expansion and relocation of key growth campuses; and
- Closure of underperforming campuses.

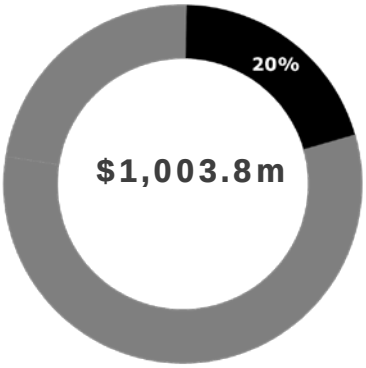
Financial highlights



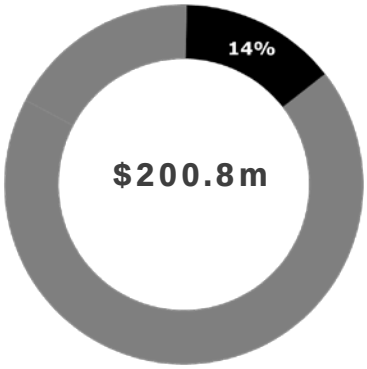
SAE Colleges



% of Divisional Revenue



% of Divisional EBITDA



Overview of Operations

SAE is one of the world's largest creative media education companies, with 54 campuses across 28 countries. The Division offers a range of predominantly Higher Education opportunities including Certificate, Diploma, Degree and Masters programs across several major fields of study: audio, film, animation, gaming, design, and web. SAE also licenses its programs to third party providers.

Review of Operations

Quality
SAE participated in the National Quality Indicators for Learning and Teaching (QILT) survey in 2016, an independent survey run for the Australian Department of Education. SAE achieved some pleasing results including outperforming Australia's top five universities on learner engagement and student support. An Australian destination survey of 2014 graduates also found that over 85% of respondents had secured employment.

SAE's UK campuses also underwent Quality Assurance Agency reviews with early feedback indicating a successful outcome and several commendations in regards to academic quality.

Investment continued into both central and regional management teams, improving the knowledge and skill-sets of key employees. Extensive succession planning and personal development plans were also completed across key management positions in the year.

Growth
SAE FY16 enrolments declined by 2% from FY15 due to lower student volumes in the UK and Europe. SAE recorded a 9% increase in revenue to $202.8m (FY15: $185.5m) with EBITDA also growing by 9% to $28.5m (FY15: $26.1m) in the year. Second half growth was impacted by slower volume growth in the US and Europe and reforms by the Australian government to vocational education funding.

SAE also lodged an appeal to the adverse ruling in the UK on the exemption of VAT on its education courses which will likely be heard in the next 12 months.

Efficiency
A number of campuses were relocated in the year to allow further expansion including SAE Perth, which relocated in late 2015, and SAE Berlin which is mid-way through its relocation. In addition, SAE announced the proposed closure of four sub-scale colleges.

Outlook
The Division anticipates growth in student volumes and pricing in its core markets in FY17 though this growth will be somewhat mitigated by decreases in Australian enrolments in vocational programs.

Group Financial summary

Financial controls and systems
Navitas continued to improve its financial systems in FY16 with the roll-out of Oracle's E-Business Suite now largely complete. All of Navitas' operations in major jurisdictions are now utilising Oracle which is also fully integrated with the Navigate student management system currently being rolled out.

Capex and Depreciation
Capex for the period was $43.7m, a 15% increase on FY15. This increase is largely due to $24.4m of costs associated with refurbishing the Group's new education campus on Elizabeth Street in Sydney. These costs will be largely refunded through lease incentives from the landlord in FY17 as the refurbishment completes.

Depreciation for the year was $30.8m, a 13% increase on FY15. This reflected increased capital expenditure in recent years on new campus fitouts at the Los Angeles, Perth and Berlin SAE campuses and the continued roll out of the new Navigate Student Management System.

Interest
Net interest expense of $4.0m was in line with the FY15 charge.

Tax
For the year ended 30 June 2016, Navitas' global effective tax rate was 29.1%.

Navitas' global tax rate is impacted by a number of considerations, including the entitlement to tax concessions (such as Research and Development), as well as the tax rates of the jurisdictions where Navitas derives income. These factors substantially account for any difference between Navitas' global effective tax rate and the Australian corporate income tax rate of 30%.

Navitas is committed to managing all taxes in a sustainable manner with regard to the regulatory, commercial and social imperatives of our business and our stakeholders. In conducting Navitas' operations (both in Australia and offshore), Navitas pays tax where the underlying economic activity takes place.

Review of Operations

Balance Sheet
Net debt at 30 June 2016 is $56.2m (30 June 2015: $36.0m). Key factors for the $20.2m increase include:

- $26.8m for the share buyback initiated in February 2016. To date 5.4m shares have been purchased and cancelled by Navitas. The buy-back aims to ensure Navitas maintains an appropriate capital position while retaining flexibility for growth opportunities. The buy-back has been implemented to maximise value accretion; and
- A reduction in cash flows from operations as detailed below.

Shareholders' funds at 30 June 2016 were $209.8m (30 June 2015: $206.7m). Deferred revenue at 30 June 2016 was $272.7m (30 June 2015: $280.6m). Deferred revenue has decreased on the prior year principally due to the impact of the closure of the Macquarie colleges in February 2016.

Cash Flows
Operating cash flows of $125.8m for the year ended 30 June 2016 were down by 11% on the prior year (FY15: $141.8m) principally due to increased payments for teaching and marketing only partially offset by higher customer receipts.

Shareholder Value and EVA®
Navitas utilises the economic value added (EVA®) framework to assess shareholder value with EVA® being a measure of returns relative to the Group's weighted average cost of capital for funds employed by the business. Targets for EVA® growth are set every three years and were most recently set in April 2014.

EVA® for FY16 was $60.3m which represents $2.6m decrease in EVA® compared to FY15. Further details about the calculation of EVA® can be found on page 20 of this report.

Rewards declared under Navitas' staff incentive scheme are based on the actual financial performance of Navitas in any one year. In FY16 rewards to staff have been affected by the financial impact of closing colleges.

This is consistent with the objective of the scheme, which is to base rewards on the sustained growth in EVA® actually achieved, rather than on estimates of future performance.

Dividend
The Directors have declared a fully franked final dividend of 9.9 cents per Share (FY15: 10.1 cents). This takes the full year dividend to 19.5 cents (FY15: 19.5 cents) in line with the Company's dividend policy.

The dividend will be paid on 15 September 2016 with the record date being 1 September 2016. The Navitas Dividend Reinvestment Plan (DRP) will again be offered at no discount to market. The last date for receipt of an election notice to participate in the DRP is by 5.00pm (AEDT) on 2 September 2016.

Strategy and Corporate Responsibility

Operating context
The International Education sector continues to develop, with emerging market GDP per capita growth improving the affordability of education and supporting an expected 60% increase of students seeking education outside of their home country between 2015 and 2025[1].

The profile and needs of Navitas' international students is equally evolving. Students from a wider variety of countries will access international education for the first time, while millennials entering tertiary education will demand flexible, mobile and personalised learning options. Post education employment prospects will become the critical decision making factor, with students choosing the course and institution that delivers the greatest return on investment.

Globally, there is a mismatch between the 21st century skills needed by industry and the capability of the current workforce. Moving forward a population of lifetime learners will seek the communication, teamwork, critical thinking and problem-solving capabilities needed to increase adaptability and access new opportunities.

Navitas is well positioned to capture these opportunities. As the largest pathway provider in the world, the Company has a suite of creative and employment focused offerings that are well matched to the needs of the transitioning global economy.

Strategy
Navitas' core purpose remains as relevant today as when the company was founded in 1994 - *to deliver quality student outcomes and student experience through strategic partnerships.*

This will be achieved via the three core strategic pillars of world class quality, capturing sustainable growth and realising global efficiency.

Navitas aspires to become *the* trusted partner to:

1. **Students –** by providing a safe, enjoyable student experience, and delivering academic outcomes that provide a clear pathway into employment and a strong return on investment.
2. **Universities –** by providing a consistent stream of quality, diverse students through long term strategic partnerships that deliver mutual value creation.
3. **Employers –** by equipping learners with the skills and experience required by the modern workforce, and increasing connectivity between employers and students.
4. **Governments –** by developing a best practice reputation in the private education sector, and playing a strategic partner role in the delivery of education strategies.
5. **Shareholders –** by creating consistent shareholder returns above market levels, from low volatility earnings sources.

1. Deliver world class quality
Navitas aspires to develop strong, trusted and mutually beneficial relationships as a global leader in education. In FY16 this has involved supporting Austrade to deliver Australian International Education (AIE) 2025 objectives, and as a foundation partner of the Australian EduGrowth accelerator. Navitas will achieve greater alignment with University partners, by creating strategic joint ventures and supporting partners' growth and diversification strategies.

Navitas is a people based business, and invests heavily to build the quality of its workforce. This includes implementing integrated talent frameworks, processes and systems that will improve employees' ability to meet student and partner needs. Navitas has also commenced an executive development program that provides world class professional development for the Company's next generation of leaders.

To provide students with an unparalleled learning experience, Navitas is investing in the professional development of college teams to enhance academic delivery. These teams will be supported by a newly formed global Learning and Teaching (L&T) function that will leverage the global capabilities of the L&T community, drive innovation and share best practice to improve student retention and progression rates.

[1] *International Trends in Higher Education*, 2015, University of Oxford

2. Capture sustainable growth

Fundamentally FY16 has been a year of positioning to develop Navitas' platform for further growth. Internally, restructuring to create efficiency and best practice across existing operations as well as the creation of shared service centres to drive innovation and leverage global scale. Externally, pursuing organic growth opportunities, preparing to invest in new business models and the incubation of new technologies will be the focus for FY17 and beyond.

3. Realise global efficiency

Navitas' origins are as a distributed organisation with individual colleges developing strong local partnerships. Navitas is now complementing these local strengths with global efficiencies that are only available to a company of such scale.

Navitas is currently implementing a consistent and more efficient shared service model across all Navitas Divisions and regions focusing on the areas of property, finance, IT and HR. The centralisation of these core support services aims to improve performance and best practice. Additional initiatives to fully focus colleges on delivering student outcomes and supporting partner relationships are also being progressed. University Partnerships conversions and admissions centres are being developed in Australia, the UK and North America to drive best practice across the Division and improve conversion rates and admission processes.

An overhaul of the Group's core IT infrastructure is being pursued to enable faster decision making, powerful analytics, efficient processes, and improved operations. This includes the global upgrade of learning management systems, and the continued rollout of Navigate, a Navitas student management system.

Risks

Material business risks categorised under environmental, economic and social sustainability, and Navitas' management of each risk as per Navitas' 2015 governance statement, can be summarised as:

Risk	Action
Economic Sustainability	
Competitor actions and innovation adversely affecting profitability	Navitas conducts internal reviews of existing service offerings and potential growth markets to maintain competitive advantage and has a dedicated business intelligence function which provides: o global insights into higher education trends; o monitoring service of mergers and acquisition activity in the higher education space; o competitor analysis across Divisions; and o use of data analytics to enhance service offerings.
Government actions lead to a decline in revenue	Navitas has a dedicated function to liaise with government and industry. Navitas has also developed a government relations strategy and regularly engages with governments and bureaucrats to manage any changes to policy.
Recruitment agents do not comply with regulatory requirements	Navitas has established policies and procedures in place based on the relevant legislation to manage the regulatory requirements of its recruitment agents. In addition Navitas has a risk management system and internal audit program which provides further oversight of compliance with regulatory requirements.
Social Sustainability	
Damage to the Navitas brand or reputation	Various policies regarding media and social media as well as multiple systems and processes to manage reputational issues have been embedded into the Navitas business in addition to a robust risk management system.
Break down of relationships with universities and key business partners	Systems and processes to manage reputational issues are being embedded into the Navitas business. Balanced scorecard metrics to measure relationships with key stakeholders such as students, recruitment agents and university partners are being developed to enable management to monitor the ongoing health of such relationships. In addition Navitas has a risk management system and internal audit program which provides further oversight of relationship management risk. In terms of social sustainability Navitas is positioned as a "trusted provider of education" with the strategic objective of creating a long term enduring relationship with students and therefore is a socially sustainable business.
Environmental Sustainability	
Navitas does not consider that the Company has material environmental sustainability risks	

Strategy and Corporate Responsibility

Corporate Responsibility
Navitas has continued to progress its corporate responsibility strategy and has strengthened its reputation as a socially responsible organisation alongside its commitment to, and record of, high quality academic outcomes.

Navitas' corporate responsibility strategy covers the wider categories of Our Communities, Our People, Our Environment and Our Customers. The strategy aligns with current business objectives and is also reflective of the significant interaction and involvement that Navitas and individual business units have had within their communities for many years.

The strategy is mutually beneficial, delivering benefits to global stakeholders and participants while bringing long term benefits to Navitas and Shareholders.

Contributing positively to our community
The Navitas Education Trust (NET) was established in 2013 as a vehicle for Navitas to support charitable organisations and activities. Navitas has committed to provide annual funds to the NET, some of which will be used to support education based programs in partnership with charitable organisations, and some of which will be invested to generate funds for future programs.

The NET management committee, comprised of three Board members and chaired by the Group CEO, funded four initiatives in the 2016 financial year:

1. Supporting *Room to Read* to help rebuild Nepal's education system following the devastating earthquakes in April 2015. The NET funded *Room to Read's* Literacy instruction training program for 150-200 teachers. Funding was also used to provide learning materials needed for teacher training sessions and necessary supplies for the students to complete their school work in some of the areas hardest hit by the earthquakes;
2. For the 3nd year in a row supporting *ABCN* to offer three-year scholarships to Australian, high need, low SES, high school students to support them to enter higher education;

3. Working with *Hagar* to help educate and re-integrate abused and trafficked women and children in Afghanistan via the Empower through Education Program; and
4. Funding *Classroom of Hope* to improve the skills and resources of teachers, school leaders and the community based around seven schools in Battambang province, Cambodia.

Navitas also supported a number of other activities in the year including:

- Supporting more than 220 academic scholarships worth over $1.0m. Navitas also donated or raised funds totalling $90,000 in the year;
- 77 employees volunteered 811 hours across Australia participating in primary and high school mentor programs in partnership with *ABCN*. An additional 805 staff and student hours were volunteered across a variety of other community based projects in the year;
- More than 1,200 management hours were committed to support corporate responsibility activity in FY16;
- Navitas continued to sponsor *Yearn to Learn* (Y2L), an established charity in Beijing, China which develops fully functional classrooms and therapeutic facilities for children in orphanages who do not have access to educational programs due to their disability, age, gender or circumstance; and
- Navitas supported Youth Focus, a Western Australian based not-for-profit organisation, to raise funds to prevent youth suicide.

Supporting our people and being a good employer
Navitas is committed to providing a safe and productive workplace for its approximately 7,100 employees around the world and this year has continued to report strong results on gender representation in its diversity section in the Corporate Governance statement (see the Company's website: www.navitas.com/organisation/investors).

Navitas has recently taken steps to enhance its health and safety capabilities and is developing a new management system framework and policies to improve analysis and performance. In FY16 Navitas' Australian operations reported:

Metric	FY16	FY15
Fatalities	0	0
Lost Time Injury Frequency Rate (LTIFR) - number of lost time injuries per million hours worked	2.27	2.3
Prosecutions or Regulatory/Improvement notices	0	0

Navitas also relaunched its Wellness, Health and Safety program in FY16 with a focus on protecting and enhancing health and wellness for everyone who works, learns or visits with Navitas. Navitas once again participated in the Global Corporate Challenge with over 1,000 employees taking part in the 100 day health and wellness initiative.

Ensuring environmental awareness and sustainability
Although Navitas has a network of more than 120 campuses and colleges around the world the majority of these are leased or owned by partners. Within this constraint Navitas aims to:

- Ensure sustainability is included in design and construction guidelines, and where possible, all design materials will come from sustainable, low energy use resources;
- Ensure that contractors used in construction and maintenance demonstrate sustainability credentials as part of tender or contract establishment; and
- Introduce energy savings through the introduction of energy efficient equipment and education.

As a part of this sustainability strategy Navitas:

- Has commenced measurement of key environmental outputs such as energy usage;
- Is supporting its staff at a college level by providing information about ways to reduce energy consumption; and
- Has commenced monitoring the generation of general waste at a college level, with the view of finding ways to improve waste management.

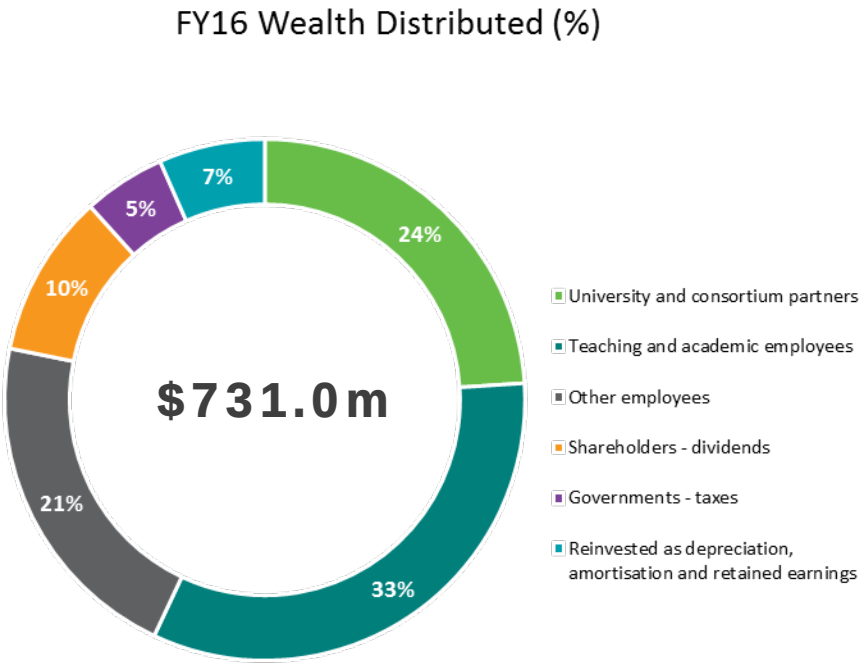
Ensuring positive outcomes for students, clients and partners
Navitas utilises a range of annual surveys and studies to monitor and ensure key academic performance indicators are met. External benchmarking involves comparing key academic performance indicators across Navitas colleges while internal benchmarking takes place between the individual colleges and their partner universities.

Strategy and Corporate Responsibility

Within the University Partnerships Division, pass rates and retention target rates (the rate of students moving from semester to semester) are set at greater than 75%. In the 2015 calendar year both of these targets were exceeded with pas rates above 80% and progression to partner rates over 90%. Other student and client outcomes are listed on pages 8-13.

Since 1995 total royalties paid to university partners have exceeded $1.1 billion. As a leading global provider of education services Navitas plays a vital economic role in its communities. In FY16 wealth generated by Navitas is distributed as follows:

$m	FY16	Change %
Operating revenue	1,010.7	3
Cost of services and other external costs	(279.7)	6
Total wealth created	**731.0**	**2**
Payments to university and consortium partners	175.3	0
Payments to teaching and academic employees	241.3	2
Payments to other employees	154.8	5
Payments to shareholders – dividends	74.1	1
Payments to governments – income taxes	37.3	(6)
Reinvested as depreciation, amortisation and retained earnings	48.2	4
Total wealth distributed	**731.0**	**2**



ValueShare Incentive Scheme

ValueShare Incentive Scheme

An important part of the spirit of Navitas has always been sharing the success that the business enjoys, with the staff that make that success possible. Over the past ten years, the primary way that Navitas has shared success with staff is through the Navitas ValueShare Incentive Scheme.

The ValueShare Incentive Scheme helps drive the success of the Company at four important levels.

It:

- helps attract and retain high quality staff;
- supports a merit-based culture by fairly sharing with staff the financial success Navitas enjoys;
- aligns the interests of staff with those of shareholders; and
- rewards sustained gains.

Helps attract and retain high quality staff

The success of Navitas ultimately rests with the quality and the dedication of the people who work at the Company.

To attract the best people, Navitas needs to offer an engaging and enjoyable workplace where the best in the education industry can pursue their careers. But Navitas also needs to offer a competitive level of remuneration.

Many of the educational institutions that Navitas competes with for staff offer high levels of fixed remuneration (eg salary plus superannuation). Navitas tries to match that by offering the opportunity to share in the financial success of the business, via the ValueShare Incentive Scheme.

For participants in the Scheme, if performance targets are met, an incentive which is a percentage of their salary will be earned.

As a result, in good years, Navitas staff may earn more than what is on offer elsewhere in the sector. But in disappointing years, they may earn less. This performance based approach to remuneration helps Navitas to attract a more entrepreneurial workforce which has been one of the key drivers of the Company's success.

It also means that one of the largest expenses — employment costs — rise and fall with the performance of each business unit. If performance is good, Navitas shares with staff that success, but if profitability falls, then employment costs fall with it. This variability in Navitas' cost base has helped the Company to successfully negotiate some of the strong headwinds that the Group has faced in the past.

Fairly shares with staff the financial success Navitas enjoys

High quality staff are attracted to a transparent, objective process for sharing the success that the business enjoys, one that reflects the merit based culture that Navitas has encouraged since its inception.

To that end, rewards under the ValueShare Incentive Scheme are determined by a formula set for each business unit by the Board, once every three years. This incentive formula clearly sets out the rewards that will be earned by participants at each level of performance.

For most staff, rewards are limited at twice the amount that they would receive for on-target performance. But for a small group of senior managers, rewards are uncapped and any amount, positive or negative, may be declared.

For these staff, amounts between $0 and the amount they would receive for on-target performance are paid in the months following year end. Any amount outside this range is settled in three equal parts, the first in the current year and the remainder in the two years that follow. Deferred amounts are added to or offset against future declarations and are forfeited if the staff member leaves the Scheme.

In this way rewards for senior staff operate like a traditional long-term incentive plan, with amounts uncapped, but with safeguards in place, including deferral and the risk of loss of deferred amounts if performance is not sustained or the participant's employment is terminated.

The formulaic nature of the Scheme helps support the merit based culture that Navitas has encouraged and once again, tends to attract and support a more entrepreneurial workforce.

ValueShare Incentive Scheme

Aligns the interests of staff with those of Shareholders

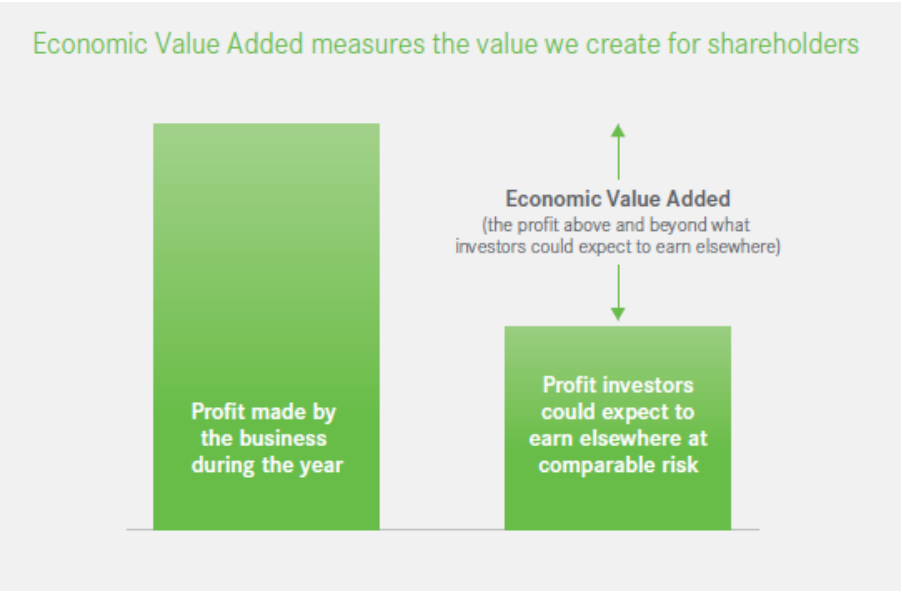
While it is important to offer competitive, performance-based pay to attract and retain the best quality staff, the ongoing success and sustainability of the business is dependent on providing good returns to Shareholders.

If the business is unable to generate an attractive return on the capital entrusted to it, Shareholders will look to place their money elsewhere, starving the business of the capital it may need to grow.

As a result, when performance is measured for the purposes of the ValueShare Incentive Scheme, Navitas takes into account not just the profits of the business, but what investors could expect to earn elsewhere on the capital entrusted to Navitas, at comparable levels of risk.

This profit above and beyond what investors could expect to earn elsewhere is called 'Economic Value Added' or EVA® for short and rewards under the ValueShare Incentive Scheme are linked to year on year growth in EVA®.

Navitas' Executive Key Management Personnel are required to use 50% of any rewards under the scheme to purchase Shares in Navitas until they hold a beneficial interest equivalent to one year's fixed remuneration (eg salary plus superannuation).



ValueShare Incentive Scheme

Determining incentive outcomes
Every three years, the Board sets growth targets for the Group and each business unit.

For the 2015-2017 period, the Group's growth target, if achieved, would represent top 30% performance compared to the actual three year EVA growth achieved by the top 300 Australian listed companies over 2009 – 2013[1]. This equates to an increase in the Group's return on capital employed to 24% and a 13% improvement over the Group's current weighted average cost of capital of 8%.

The three year target is then broken down into annual growth targets. At the end of each year, after consideration of the EVA growth achieved by the Group against its targets, an incentive declaration for each participant is determined. The total value of at risk pay is approximately $18.0m in each of the three years.

Incentive outcomes in 2016

Whilst Navitas achieved an increase in EBITDA during the year, the growth in EVA by the Group fell short of the target set by the Board. As a result the Group's return on capital employed for the year to 30 June 2016 fell to 21.6% (FY15: 22.8%).

Rewards declared under the ValueShare Incentive Scheme are based on the actual financial performance of the business in any one year. Rewards declared in 2016 reflected the flow through effects of changes to the MQC and SIBT on-campus contracts with Macquarie University that were announced in 2014.

Full details of the outcomes of the ValueShare Incentive Scheme in 2016 are included in the Remuneration Report, as part of the Directors' Report.

[1] excluding investment companies, as determined by Juno Partners, an independent consultancy appointed by the Board.

Corporate Governance Statement

Navitas confirms that it has complied with all of the applicable ASX Corporate Governance Principles and Recommendations (3rd Edition).

The Corporate Governance Statement is publicly available on the Company's website: www.navitas.com/investor_centre.html.

Navitas Limited
Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the year ended 30 June 2016

	Note	2016 $000s	2015 $000s
Revenue	2	1,010,651	980,341
Marketing expenses		(159,372)	(143,912)
Academic expenses		(242,789)	(236,586)
Administration expenses		(473,209)	(462,603)
Impairment of goodwill	3.2	-	(19,542)
Finance costs	3.2	(6,214)	(6,023)
Share of net loss of joint ventures accounted for using the equity method		(974)	-
Profit before income tax expense		**128,093**	**111,675**
Income tax expense	3.4	(37,330)	(39,564)
Profit for the year		**90,763**	**72,111**
Other comprehensive income			
Items that may be subsequently reclassified to profit or loss			
Net currency translation differences		5,969	(3,662)
Fair value movement in hedge instruments		(133)	(436)
Income tax relating to other comprehensive income		1,042	(2,127)
Other comprehensive income for the year		6,878	(6,225)
Total comprehensive income for the year		**97,641**	**65,886**
Profit attributable to:			
Owners of the parent		90,078	71,810
Non-controlling interest		685	301
		90,763	**72,111**
Total comprehensive income attributable to:			
Owners of the parent		96,175	66,351
Non-controlling interest		1,466	(465)
		97,641	**65,886**
		Cents	**Cents**
Earnings per share	3.6		
Basic		24.0	19.1
Diluted		24.0	19.1

The consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

Navitas Limited
Consolidated Statement of Financial Position
As at 30 June 2016

	Note	2016 $000s	2015 $000s
ASSETS			
Current Assets			
Cash and cash equivalents		78,919	87,188
Trade and other receivables	4.2	121,925	107,927
Prepayments and other assets		25,267	23,880
Total Current Assets		**226,111**	**218,995**
Non Current Assets			
Property, plant and equipment	4.3	131,551	99,194
Deferred tax assets	3.4	47,549	46,325
Investments accounted for using the equity method		4,216	4,865
Intangible assets	4.1	411,443	408,326
Total Non Current Assets		**594,759**	**558,710**
TOTAL ASSETS		**820,870**	**777,705**
LIABILITIES			
Current Liabilities			
Trade and other payables	4.4	139,640	125,057
Deferred revenue		272,707	280,584
Current tax payable	3.4	4,057	13,077
Provisions	4.5	16,339	5,844
Total Current Liabilities		**432,743**	**424,562**
Non Current Liabilities			
Trade and other payables	4.4	23,555	10,793
Bank borrowings	5.2	135,093	123,139
Provisions	4.5	19,680	12,544
Total Non Current Liabilities		**178,328**	**146,476**
TOTAL LIABILITIES		**611,071**	**571,038**
NET ASSETS		**209,799**	**206,667**
EQUITY			
Issued capital	5.5	177,095	200,974
Foreign currency translation reserve		1,416	(4,774)
Cash flow hedge reserve		(2,013)	(1,920)
Retained earnings		32,467	16,489
Equity attributable to owners of the parent		**208,965**	**210,769**
Non-controlling interests		834	(4,102)
TOTAL EQUITY		**209,799**	**206,667**

The consolidated statement of financial position should be read in conjunction with the accompanying notes.

Navitas Limited
Consolidated Statement of Cash Flows
For the year ended 30 June 2016

	Note	2016 $000s	2015 $000s
Cash flows from operating activities			
Receipts from customers		994,977	987,987
Payments to suppliers and employees		(819,161)	(795,005)
Interest received		2,392	2,157
Interest paid		(6,071)	(6,208)
Income tax paid		(46,327)	(47,097)
Net cash flows from operating activities	3.3	**125,810**	**141,834**
Cash flows from investing activities			
Purchase of property, plant and equipment	4.3	(43,738)	(38,133)
Net cash paid for controlled entities		-	(6,796)
Net cash disposed on disposal of controlled entities		(1,181)	-
Purchase of other investments		(755)	(4,865)
Net cash flows used in investing activities		**(45,694)**	**(49,794)**
Cash flows from financing activities			
Payments for share buy back	5.5	(26,805)	-
Proceeds from borrowings		354,742	337,014
Repayment of borrowings		(343,729)	(344,645)
Payments to non-controlling interests		-	(541)
Payment of dividends	3.5	(71,591)	(70,653)
Payment of dividends to non-controlling interests		(764)	(740)
Net cash flows used in financing activities		**(88,147)**	**(79,565)**
Net (decrease) / increase in cash and cash equivalents		(8,031)	12,475
Net foreign exchange differences		(238)	2,827
Cash and cash equivalents at beginning of the financial year		87,188	71,886
Cash and cash equivalents at the end of the financial year		**78,919**	**87,188**

The consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Navitas Limited
Consolidated Statement of Changes in Equity
For the year ended 30 June 2016

	Issued Capital $000s	Foreign Currency Translation Reserve $000s	Cash Flow Hedge Reserve $000s	Retained earnings $000s	Non-controlling interests $000s	Total equity $000s
Balance at 1 July 2014	197,868	380	(1,615)	17,973	(2,897)	211,709
Profit for the year	-	-	-	71,810	301	72,111
Fair value movement in hedge instruments (after tax)	-	-	(305)	-	-	(305)
Net currency translation differences (after tax)	-	(5,154)	-	-	(766)	(5,920)
Total comprehensive income for the year	**-**	**(5,154)**	**(305)**	**71,810**	**(465)**	**65,886**
Dividend reinvestment plan	2,641	-	-	-	-	2,641
Employee share plan purchase	465	-	-	-	-	465
Dividends paid	-	-	-	(73,294)	(740)	(74,034)
Balance at 30 June 2015	**200,974**	**(4,774)**	**(1,920)**	**16,489**	**(4,102)**	**206,667**
Profit for the year	-	-	-	90,078	685	90,763
Fair value movement in hedge instruments (after tax)	-	-	(93)	-	-	(93)
Net currency translation differences (after tax)	-	6,190	-	-	781	6,971
Total comprehensive income for the year	**-**	**6,190**	**(93)**	**90,078**	**1,466**	**97,641**
Dividend reinvestment plan	2,509	-	-	-	-	2,509
Employee share plan purchase	417	-	-	-	-	417
Share buy back	(26,805)	-	-	-	-	(26,805)
Disposal of controlled entities	-	-	-		4,234	4,234
Dividends paid	-	-	-	(74,100)	(764)	(74,864)
Balance at 30 June 2016	**177,095**	**1,416**	**(2,013)**	**32,467**	**834**	**209,799**
Total attributable to:						
Non-controlling interests – 30 June 2015	-	-	-	-	(4,102)	(4,102)
Non-controlling interests – 30 June 2016	**-**	**-**	**-**	**-**	**834**	**834**
Owners of the parent entity– 30 June 2015	200,974	(4,774)	(1,920)	16,489	-	210,769
Owners of the parent entity– 30 June 2016	**177,095**	**1,416**	**(2,013)**	**32,467**	**-**	**208,965**

Nature and purpose of reserves:

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries and record foreign exchange gains and losses on the hedges of the net investments of foreign operations.

Cash flow hedge reserve records the portion of the gain or loss on a hedging instrument in a cash flow hedge that is determined to be an effective hedge.
The consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

1 Basis of preparation

This section sets out the accounting policies that relate to the Financial Statements of Navitas Limited (the "Company") and its controlled entities.

The financial report of the Company for the year ended 30 June 2016 was authorised for issue in accordance with a resolution of directors dated 1 August 2016.

Navitas Limited, the ultimate parent, is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange.

1.1 Basis of accounting

Statement of compliance

The financial report complies with Australian Accounting Standards, and International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board.

The financial report is a general purpose financial report, for a 'for-profit' entity, which has been prepared in accordance with the requirements of the Corporations Act 2001 and Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. The financial report has also been prepared on a historical cost basis, except where noted.

The financial statements comprise the consolidated financial statements of the Navitas Group of companies.

Certain comparative information within the statement of financial position has been reclassified to be comparable to current year presentation.

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars ($000's) unless otherwise stated.

Except as disclosed in notes 1.2 through to 1.5 the Company's accounting policies are set out within each note disclosure.

1.2 Changes to accounting policies

Adoption of new and revised Accounting Standards

The Group has adopted all of the new and revised Standards and Interpretations, including amendments to the existing standards issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for the current reporting period.

The adoption of these amendments has not resulted in any significant changes to the Group's accounting policies nor any significant effect on the measurement or disclosure of the amounts reported for the current or prior periods.

During the year, the Group elected to early adopt *AASB 9 Financial instruments* issued in December 2014. At the same time, the Group has also applied the amendments in *AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) (as amended),* Part E of *AASB 2014-1 Amendments to Australian Accounting Standards* and *AASB 2014-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2014)*.

AASB 9 replaces the provisions of *AASB 139 Financial Instruments: Recognition and Measurement* that relate to the recognition, classification and measurement of financial assets and financial liabilities, the derecognition of financial instruments and hedge accounting.

The key change for the Group associated with adopting *AASB 9* relates to hedge accounting.

The Group has existing interest rate swap contracts in place in order to protect against rising interest rates as disclosed in note 5.4 which were entered into in the prior year. Hedge accounting was applied to these contracts in accordance with the provisions of *AASB 139*. During the current year, the Group entered into a cross currency basis swap which involves the conversion of Eur75m borrowings into $109.4m of borrowings and swapping a Euro interest expense to an AUD interest expense which also qualifies for hedge accounting. In accordance with *AASB 139*, applying hedge accounting to the overall arrangement would result in the dedesignation of the existing interest rate swap contracts as hedging instruments and the crystallisation of existing hedge accounting losses into profit or loss in the current year despite the arrangement being effective at protecting the Group against interest rate risk.

1.2 Changes to accounting policies (continued)

AASB 9 allows aggregated exposures, including the interest rate and cross currency swaps above, to qualify for hedge accounting without a dedesignation of the Group's existing hedging arrangement.

In the current year, the early adoption of *AASB 9* has resulted in hedge accounting losses on the existing interest rate swap arrangements of $1.672m remaining in equity and not being reclassified into profit or loss. *AASB 9* has been applied retrospectively and has had no impact on profit, net assets or cash flows in the previous financial year.

The early adoption of this new standard has not resulted in any significant changes to the Group's accounting policies nor any significant effect on the measurement or disclosure of the amounts reported for the current or prior periods other than that noted above.

Accounting Standards and Interpretations issued but not yet effective

A project team exists to assess the impact of new standards and interpretations.

At the date of authorisation of the financial statements, significant new Standards and Interpretations that were issued but not yet effective, which have not been early adopted are listed below:

Affected Standards and Interpretations	Application date (reporting period commences on or after)	Application date for Group
AASB 15 Revenue from Contracts with Customers	1 January 2018	30 June 2019
AASB 16 Leases	1 January 2019	30 June 2020

AASB 15 Revenue from Contracts with Customers
The new revenue standard replaces *AASB 118* which covers revenue arising from the sale of goods and the rendering of services and *AASB 111* which covers construction contracts.

The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The standard permits either a full retrospective or a modified retrospective approach for the adoption.

Management is currently assessing the effects of applying the new standard on the Group's financial statements, however, it is not expected that it will result in a significant change to the Group's accounting policies.

AASB 16 Leases
The new leasing standard replaces *AASB 117 Leases* and requires that:

- All leases are 'capitalised' by recognising the present value of the lease payments and showing them either as lease assets (right-of-use assets) or together with property, plant and equipment.
- A financial liability is recognised representing obligations to make future lease payments.

The standard permits either a full retrospective or a modified retrospective approach for the adoption. Management is currently assessing the effects of applying the new standard on the Group's financial statements. The impact of the new standard will be dependent on the Group's lease arrangements in place when the new standard is effective.

There are no other standards that are not yet effective and that would be expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

1.3 Significant accounting judgements, estimates and assumptions

In applying the Group's accounting policies management continually evaluates judgements, estimates and assumptions based on experience and other factors, including expectations of future events that may have an impact on the Group. All judgements, estimates and assumptions made are believed to be reasonable based on the most current set of circumstances available to management. Actual results may differ from the judgements, estimates and assumptions. Significant judgements,

1.3 Significant accounting judgements, estimates and assumptions (continued)

estimates and assumptions made by management in the preparation of these financial statements are outlined below:

Significant accounting judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amount recognised in the financial statements: Recoverability of deferred tax assets (refer note 3.4).

Significant accounting estimates and assumptions

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are: Impairment of goodwill and intangibles with indefinite useful lives (refer note 4.1).

1.4 Basis of consolidation

The consolidated financial statements comprise the financial statements of Navitas Limited and its subsidiaries (as outlined in note 6.1) as at and for the period ended 30 June each year (the Group).

Subsidiaries are all those entities over which the Group has control. Control is achieved when the Group has power over an entity and is exposed to, or has rights over, the variable returns of the entity, as well as the ability to use this power to affect the variable returns of the entity.

The financial statements of the subsidiaries are prepared for the same reporting period as Navitas, using consistent accounting policies. In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intragroup transactions have been eliminated in full.

Subsidiaries are fully consolidated from the date on which control is obtained by the Group and cease to be consolidated from the date on which control is transferred out of the Group.

A change in the ownership interest of a subsidiary that does not result in a loss of control, is accounted for as an equity transaction.

Non-controlling interests are allocated their share of net profit after tax in the statement of comprehensive income and are presented within equity in the consolidated statement of financial position, separately from the equity of the owners of the parent.

Losses are attributed to the non-controlling interest even if that results in a deficit balance.

Interests in joint ventures are accounted for using the equity method after initially being recognised at cost in the consolidated statement of financial position.

Transactions and balances between the Company and its joint ventures were eliminated in the preparation of consolidated financial statements of the Group to the extent of the Group's share in profits and losses of the joint venture resulting from these transactions.

1.5 Foreign currencies

Functional and presentation currency

Both the functional and presentation currency of Navitas Limited and its Australian subsidiaries is Australian dollars ($). The functional and presentation currency of the non Australian Group companies is the national currency of the country of operation.

Transactions & balances

Transactions in foreign currencies are initially recorded in the functional currency at the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. Foreign currency differences arising on translation are recognised in the profit or loss.

1.5 Foreign currencies (continued)

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Translation of Group companies' functional currency to presentation currency

As at the reporting date the assets and liabilities of foreign subsidiaries are translated into the presentation currency of the Group at the rate of exchange ruling at the reporting date and the statements of profit or loss and other comprehensive income are translated at the weighted average exchange rates for the year. The exchange differences arising on the translation are taken directly to a separate component of equity, the foreign currency translation reserve.

2 Segment information

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group), whose operating results are regularly reviewed by the Group's Chief Executive Officer to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available. Management will also consider other factors in determining operating segments such as the existence of a line manager and the level of segment information presented to the board of directors.

Operating segments for Navitas are:

University Partnerships:	The University Partnerships division delivers education programmes, via pathway colleges and managed campuses, to students requiring a university education.
SAE:	The SAE division delivers education programmes in the area of creative media including courses in audio, film and multimedia.
Professional and English Programs (PEP):	The division delivers English language tuition, jobs skills training and higher and vocational education in health, security and psychology.
Corporate:	Corporate is the aggregation of the Group's corporate functions.

The Group accounts for intersegment sales and transfers as if the sales or transfers were to third parties at current market prices. Segment revenues are attributed to geographic areas based on the location of the customers providing the revenues.

Segment accounting policies are the same as the Group's policies.

Geographical areas

The Group operates in the following geographical areas.

	External Operating Revenue		Non Current Assets*	
	2016 $000s	2015 $000s	2016 $000s	2015 $000s
Australia	629,561	628,881	170,458	355,721
United Kingdom	95,013	84,365	228,666	8,070
Europe	62,211	59,277	97,892	96,803
Asia	37,336	49,434	10,172	12,007
Canada	78,868	66,478	174	214
United States	99,962	84,617	39,076	40,022
Rest of World	5,484	5,089	772	227
Total	1,008,435	978,141	547,210	513,064

2016 operating revenue of $1,008.4m has been favourably impacted by the depreciation of the Australian Dollar compared to the previous financial year. Using foreign exchange rates that applied in the 2015 financial year the Group would have recorded $25.0m lower revenue, principally from United Kingdom and United States based operations.
* Excludes deferred tax assets.

2 Segment information (continued)

Reportable segments

	University Partnerships		SAE		Professional and English Programs		Corporate		Total	
	2016 $000s	2015 $000s	2016 $000s	2015 $000s	2016 $000s	2015 $000s	2016 $000s	2015 $000s	2016 $000s	2015 $000s
Revenue										
Tuition services	525,821	510,183	189,769	173,321	222,964	216,806	-	-	938,554	900,310
Other services	45,274	56,157	13,053	12,129	6,970	7,203	4,584	2,342	69,881	77,831
Total segment revenue	571,095	566,340	202,822	185,450	229,934	224,009	4,584	2,342	1,008,435	978,141
Interest (Other Corporations)									2,216	2,200
Total consolidated revenue									1,010,651	980,341
Result										
EBITDA*	137,216	140,375	28,509	26,144	35,100	29,463	(36,244)	(32,875)	164,581	163,107
Depreciation	(5,919)	(4,901)	(13,683)	(12,538)	(3,472)	(3,830)	(7,693)	(6,049)	(30,767)	(27,318)
Amortisation	-	-	-	-	(749)	(749)	-	-	(749)	(749)
Goodwill impairment	-	(16,438)	-	-	-	(3,104)	-	-	-	(19,542)
Profit before tax and net finance income	131,297	119,036	14,826	13,606	30,879	21,780	(43,937)	(38,924)	133,065	115,498
Net finance expense									(3,998)	(3,823)
Share of net loss of joint ventures									(974)	-
Profit before income tax									128,093	111,675
Income tax expense									(37,330)	(39,564)
Profit for the year									90,763	72,111

* EBITDA = earnings before net interest, taxes, depreciation, amortisation and impairment

3 Financial performance

This section focuses on the results and performance of the Group and includes disclosures explaining the Group's results for the year, significant items, taxation, earnings per share and dividends.

3.1 Revenue

Accounting policies

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured at the fair value of the consideration received.

In relation to the provision of education services, which is the Group's primary activity, revenue is recognised where the contract outcome can be reliably measured, the Group has control of the right to be compensated for the education services, and the stage of completion can be reliably measured. The stage of completion is measured by reference to the number of contact days held as a percentage of the total number of contact days in the course.

Where income is recorded in advance of the provision of service the full amount is recognised as deferred revenue in the statement of financial position. Revenue is then recognised as outlined above.

3.2 Expenses

Accounting policies

Interest

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any issue costs, and any discount or premium on settlement.

Depreciation

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

Plant and equipment – over 2 to 10 years
Leasehold improvements – the shorter of the lease term or the estimated useful life

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year end.

Leases

Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefits of incentives are recognised as a reduction of rental expense on a straight line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

3.2 Expenses (continued)

Expense analysis by nature:

	Note	2016 $000s	2015 $000s
Finance costs			
Bank loans and overdrafts		6,214	6,023
Depreciation and amortisation			
Depreciation	4.3	30,767	27,318
Amortisation	4.1	749	749
		31,516	28,067
Lease payments			
Minimum lease payments – operating leases		56,866	51,778
Employee benefits expense			
Employee benefits		357,769	348,786
Post employment benefits		23,602	22,479
		381,371	371,265
Losses			
Impairment of goodwill	4.1	-	19,542

3.3 Reconciliation of profit to the statement of cash flows

Reconciliation of profit for the year to net cash flows from operating activities

	2016 $000s	2015 $000s
Net profit for the year	90,763	72,111
Non cash items		
Depreciation	30,767	27,318
Amortisation	749	749
Impairment of goodwill	-	19,542
Lease incentives	10,032	2,246
Net loss on disposal of property, plant and equipment	52	302
Net exchange loss/(gains)	28	(1,303)
Share of net loss of joint ventures accounted for using the equity method	974	-
Other non cash items	(1,427)	(2,515)
Decrease/(increase) in assets		
Trade and other receivables	(9,571)	11,874
Prepayments and other assets	(1,383)	(3,967)
Deferred tax assets	240	(9,453)
Increase/(decrease) in liabilities		
Trade and other payables	6,425	11,803
Deferred revenue	(2,485)	7,553
Current tax liabilities	(9,247)	1,647
Provisions	9,893	3,927
Net cash flows from operating activities	125,810	141,834

3.4 Taxation

This note sets out the tax accounting policies of the Group, the current and deferred tax charges or credits in the year (which together make up the total tax charge or credit in the statement of comprehensive income), a reconciliation of profit before tax to the tax charge (or credit) and the movements in the deferred tax assets and liabilities.

Accounting policies

Income tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Deferred income tax is generally provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax assets are recognised where management consider that it is probable that future taxable profits will be available to utilise those temporary differences. The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in the profit or loss.

3.4.1 Income tax expense

The major components of income tax expense are:

	2016 $000s	2015 $000s
Income tax recognised in profit or loss		
Current income tax		
Current income tax charge	(36,333)	(45,402)
Adjustments in respect of current income tax of previous years	(745)	(2,661)
Deferred income tax		
Relating to the origination and reversal of temporary differences	(252)	8,499
Income tax reported in the statement of comprehensive income	(37,330)	(39,564)

The following table provides numerical reconciliation between aggregate tax expenses recognised in the statement of comprehensive income and tax expense calculated per the statutory income tax rate.

	2016 $000s	2015 $000s
Accounting profit before tax	128,093	111,675
At the Group's statutory income tax rate of 30%	(38,428)	(33,503)
Adjustments in respect of current income tax of previous years	(745)	(2,661)
Non tax deductible goodwill impairment	-	(5,863)
Effect of local tax rates not at 30%	1,843	2,463
Income tax reported in the statement of comprehensive income	(37,330)	(39,564)

3.4 Taxation (continued)

	Note	2016 $000s	2015 $000s
3.4.2 Recognised tax assets and liabilities			
Current income tax			
Opening balance		13,077	12,648
Charged to income		37,078	48,063
Foreign exchange movements		229	(537)
Payments		(46,327)	(47,097)
Closing balance		4,057	13,077
Deferred income Tax			
Opening balance		46,325	34,556
Charged to income		(252)	8,499
Foreign exchange movements		716	3,291
Charged to equity		760	(21)
Closing balance		47,549	46,325
Deferred income tax relates to the following:			
Deferred tax assets			
Employee provisions		10,544	12,734
Other provisions		4,484	2,132
Lease incentives		545	961
Derivative instruments (swaps)		1,594	823
Unrealised foreign exchange losses		799	236
Carry forward tax losses	3.4.3	27,500	27,622
Other temporary differences		2,083	1,817
		47,549	46,325

3.4.3 Carry forward tax losses

Federal and State operating tax losses of $26.3m (2015: $24.3m) have been incurred by the Group's US domiciled entities since inception. These losses may be utilised in years through to 2034 for both US federal and US state purposes.

These losses are considered recoverable as management has determined that it is more likely than not that the Group will utilise these losses through future profitable operations.

This assessment has been based on detailed financial forecasts prepared by management that have considered the:

- potential volume and price growth that can be achieved in the US business units over time,
- favourable impact of economies of scale as volumes increase,
- impact of further expansion within the US,
- favourable impact of additional revenue streams within the US, and
- time period that the tax losses are available to the US business units.

3.5 Dividends

	2016 $000s	2015 $000s
3.5.1 Recognised amounts		
Declared and paid during the year		
Dividends on ordinary shares:		
Final franked dividends for 2015: 10.1 cents (2014: 10.1 cents)	38,009	37,947
Interim franked dividend for 2016: 9.6 cents (2015: 9.4 cents)	36,091	35,347
	74,100	73,294

During the year, the Company issued shares to a value of $2.509m (2015: $2.641m) in lieu of cash dividends under the dividend reinvestment plan.

3.5.2 Unrecognised amounts

Dividends proposed and not recognised as a liability

Dividends on ordinary shares:		
Final franked dividends for 2016: 9.9 cents (2015:10.1 cents)	36,784	38,009

3.5.3 Franking credits

At balance date the value of franking credits available (at 30%) was $13.7m (2015: $12.5m).

3.6 Earnings per share

	2016	2015
Net profit attributable to equity holders of the parent ($000s)	90,078	71,810
Weighted average number of ordinary shares for earnings per share (Number of shares)	375,582,803	376,053,714

4 Assets and Liabilities

This section shows the assets used to generate the Group's revenue and the liabilities incurred as a result. Liabilities relating to the Group's financing activities are addressed in Section 5. Deferred tax assets and liabilities are shown in note 3.4.

On the following pages there are notes covering intangible assets, working capital, other non-current assets and provisions.

4.1 Intangible assets

Accounting policies

Goodwill
Goodwill acquired in a business combination is initially measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition date amounts of the identifiable assets acquired and the liabilities assumed.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Goodwill is not amortised. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash generating units, or groups of cash generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units or groups of units.
Each unit or group of units to which the goodwill is so allocated:

1) represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and
2) is not larger than an operating segment determined in accordance with *AASB 8 Operating Segments*.

Other Identifiable Intangible Assets
Other identifiable intangible assets acquired separately or in a business combination are initially measured at cost. The cost of an identifiable intangible asset acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, identifiable intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

The useful lives of these identifiable intangible assets are assessed to be either finite or indefinite. Identifiable intangible assets with finite lives are amortised over the useful life and assessed for impairment whenever there is an indication that the identifiable intangible asset may be impaired. The amortisation period and the amortisation method for an identifiable intangible asset with a finite useful life is reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, which is a change in accounting estimate. The amortisation expense on identifiable intangible assets with finite lives is recognised in profit or loss in the expense category consistent with the function of the intangible asset.

Identifiable intangible assets with indefinite useful lives are not amortised. The useful life of an intangible asset with an indefinite life is reviewed each reporting period to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for as a change in an accounting estimate and is thus accounted for on a prospective basis.

4.1 Intangible assets (continued)

A summary of the policies applied to the Group's identifiable intangible assets is as follows:

	Brand Names (a)	Other (b)
Useful lives	Indefinite	Finite
Amortisation period and method used	Not applicable	Between 10 and 25 years – straight line
Internally generated/acquired	Acquired	Acquired
Recoverable amount testing	Annually and where an indicator of impairment exists.	Where an indicator of impairment exists. Amortisation method reviewed at each financial year end.

(a) Brand Names

Brand names include intangible assets acquired in the SAE business combination. This intangible asset has been assessed as having an indefinite life on the basis of brand strength, ongoing expected profitability and the expectation of minimal ongoing expenditure.

(b) Other

Other includes copyrights and licences acquired through business combinations, principally the acquisition of businesses within the PEP division.

$000s	Goodwill	Brand Names	Other	Total
Gross carrying amount				
Balance at 1 July 2014	308,226	136,000	17,694	461,920
Acquisition of controlled entity	6,954	-	-	6,954
Impact of foreign currency conversion	1,494	-	-	1,494
Balance at 1 July 2015	316,674	136,000	17,694	470,368
Acquisition of controlled entity	1,624	-	-	1,624
Disposal of controlled entities	(7,179)	-	-	(7,179)
Impact of foreign currency conversion	1,385	-	-	1,385
Balance at 30 June 2016	312,504	136,000	17,694	466,198
Accumulated amortisation and impairment losses				
Balance at 1 July 2014	(34,183)	-	(7,568)	(41,751)
Amortisation expense	-	-	(749)	(749)
Impairment of goodwill	(19,542)	-	-	(19,542)
Balance at 1 July 2015	(53,725)	-	(8,317)	(62,042)
Amortisation expense	-	-	(749)	(749)
Disposal of controlled entities	7,179	-	-	7,179
Impact of foreign currency conversion	857	-	-	857
Balance at 30 June 2016	(45,689)	-	(9,066)	(54,755)
Net book value				
At 1 July 2014	274,043	136,000	10,126	420,169
At 1 July 2015	262,949	136,000	9,377	408,326
At 30 June 2016	266,815	136,000	8,628	411,443

Foreign currency conversion of goodwill

Some goodwill balances are denominated in currencies other than Australian Dollars. In particular a substantial portion of goodwill associated with the purchase of the SAE Group is denominated in Euro's. These non-Australian Dollar balances are translated at the rate applicable at the reporting date, into Australian Dollars and fluctuate in line with foreign exchange movements. The exchange differences arising on the translation are taken directly to the foreign currency translation reserve.

4.1 Intangible assets (continued)

4.1.1 Impairment

Accounting policies

Impairment testing is completed at each reporting date for goodwill and intangible assets that have indefinite useful lives or assets that are not ready for use, or more frequently if events or changes in circumstances indicate that the asset may be impaired.

For intangible assets that are subject to amortisation the asset is reviewed for impairment whenever events or changes in circumstances indicate that the asset's carrying amount is greater than its estimated recoverable amount. Indicators of impairment may include changes in technology and business performance.

In testing for impairment, the recoverable amount is estimated for an individual asset or, if it is not possible to estimate the recoverable amount for the individual asset, the recoverable amount of the cash generating unit (CGU) to which the asset belongs.

CGUs are the smallest identifiable group of assets that generate cash flows that are largely independent from the cash flows of other assets or group of assets. Each CGU is no larger than an operating segment.

The recoverable amount of an asset or a CGU is the greater of fair value less cost of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the risks specific to the asset or CGU and the market's current assessment of the time value of money. An impairment loss is recognised in the income statement if the carrying amount of an asset or a CGU exceeds its recoverable amount. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs) and then, to reduce the carrying amount of the other assets in the CGU (group of CGUs).

Impairment losses recognised in respect of goodwill are not reversed. Impairment losses recognised in prior periods in respect of other intangible assets are assessed at each reporting date for any indications that the impairment loss has decreased or may no longer exist. The impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount of the asset and is reversed only to the extent that the carrying amount of the asset does not exceed the carrying amount that would have been determined, net of amortisation, had no impairment loss been recognised.

Impairment losses recognised

Year ended 30 June 2016
There were no impairment losses recognised in the year ended 30 June 2016.

Year ended 30 June 2015
Impairment testing of indefinite useful life assets, using a value in use calculation, for the year ended 30 June 2015 identified goodwill balances of $19.5m that were not considered recoverable. These balances related to the University Partnership's SIBT ($9.0m) (see below) and Study Overseas (SOL) ($7.4m) businesses and the Navitas Resources Institute (NRI) ($3.1m) in PEP.

In July 2014 Navitas announced that its wholly owned subsidiary, Sydney Institute of Business and Technology (SIBT), had reached agreement with its partner, Macquarie University (Macquarie), that from February 2016 SIBT's on campus pathway programs to students would cease. From this point on Macquarie would offer its own pathway program to students.

As a result of value in use calculations performed for the SIBT cash generating unit, the goodwill recognised on the acquisition of SIBT was determined to be not recoverable. A goodwill impairment charge of $23.3m was recognised as at 30 June 2014 and the remaining carrying value of $9.0m was impaired during the 2015 financial year.

SOL, Navitas' Indian based student recruitment arm, was fully impaired following sustained declines in performance over the last few years and the recent announcement that the UK Home Office plans to bar non EU students from part time or post study work rights. NRI goodwill, which primarily related to the acquisition of training entities in 2005 and which formed the NRI business unit, was fully impaired due to sustained losses and the current difficult environment for the Mining and Resources sector.

Therefore a goodwill impairment charge of $19.5m was recognised as at 30 June 2015.

4.1 Intangible assets (continued)

Impairment testing of goodwill and indefinite life identifiable intangible assets

Carrying amount of goodwill allocated to each of the cash generating units

The carrying amounts of acquired goodwill have been allocated to the following individual cash generating units that have significant amounts of intangibles, for impairment testing, as follows:

Cash generating unit (or group of units)	Carrying amount of Goodwill ($000s)	
	2016	2015
SAE	153,160	149,294
PEP, English and Foundation Skills	31,944	31,944
PEP, ELICOS	13,689	13,689
Curtin College	13,089	13,089
Deakin College	11,738	11,738
Australian College of Applied Psychology	10,804	10,804
Griffith College	9,980	9,980
Multiple units without significant intangibles	22,411	22,411
	266,815	262,949

Value in use calculations for SAE

The recoverable amount of SAE has been determined based on a value in use calculation using cash flow projections covering a five year period, based on bottom up financial forecasts prepared by local management and approved by SAE and Navitas Senior Executives.

The following describes each key assumption on which management has based its value in use calculation for SAE.

- The discount rate applied to pre tax cash flow projections is 12.3%.
- Cash flows beyond the five year period are estimated using a terminal value calculated under standard valuation principles incorporating a long term growth rate of 2.5%.
- Revenue from operations is forecast to increase as a result of increased volumes of students. This has been estimated as 10% cumulatively over the five year forecast period. Weighted average forecast course fees have not been assumed to increase significantly due to conservative estimates and changed country mix. Wage inflation is assumed to be in line with the long run historical average for Australia, and EBITDA margins are forecast to improve in line with the long run average achieved by established SAE schools.
- The impact of working capital has been assumed to increase in line with revenue growth.
- Capital investment required to run the business has been assumed based on detailed estimates for three years then at 5.0% of forecast revenues.

In addition, the cash flow projections for SAE also assumes the continued ability of existing and future students to access government funding (loans) for the purpose of obtaining a qualification from a SAE school. This includes access to Title IV funding in the USA and Fee-Help in Australia.

The implications of the key assumptions for the recoverable amount are:

- Discount rate - Management has considered the possibility that the discount rate used could increase. The recoverable amount of SAE intangible assets would only be impacted if the discount rate increased by 20% or more.
- Long term growth rate - the recoverable amount of SAE intangible assets would only be impacted if the growth rate used was lower than 1.0%.
- Forecast EBITDA for SAE would need to be 15% lower each year than used in the value in use model, over the five year forecast period, either due to slower than forecast revenue growth or lower EBITDA margin, to result in a recoverable amount lower than the carrying amount of SAE intangible assets.

The recoverable value of the SAE Brand Name of $136m has been assessed using the same methods and assumptions as the related goodwill.

4.1 Intangible assets (continued)

Impairment testing of goodwill and indefinite life identifiable intangible assets (continued)

Value in use calculations for other cash generating units

The recoverable amount of these cash generating units has been determined based on a value in use calculation using cash flow projections covering a five year period, based on financial forecasts approved by Navitas Senior Executives.

The following describes each key assumption on which management has based its value in use calculation for the remaining cash generating units.

- The discount rate applied to pre tax cash flow projections is 11.4% and cash flows beyond the five year period are estimated using a terminal value calculated under standard valuation principles incorporating a long term growth rate of 2.5%.

- Revenue from operations is forecast to increase due to increased volumes of students and fee growth in line with historical performance. Wage inflation is assumed to be in line with the long run historical average, and forecast EBITDA margins are assumed to be stable, and in line with the long run average achieved by the established cash generating units.

In addition, the cash flow projections for the following cash generating units, also assume that significant partnership or service delivery contracts are renewed at the end of the current fixed contract period. If the contracts are not renewed on substantially the same or similar terms and conditions then goodwill may be impaired.

Cash generating units subject to partnership or service delivery contracts with fixed term, subject to renewal	***Carrying amount of goodwill associated with each cash generating unit ($000s)***
PEP, English and Foundation Skills	31,944
Curtin College	13,089
Deakin College	11,738
Griffith College	9,980
Multiple units without significant intangibles	13,559
	80,310

Except for loss of material contracts, there are no reasonably possible changes in key assumptions that would result in a material impairment of intangible assets for these cash generating units.

4.2 Trade and other receivables

Accounting policies

Trade receivables, which generally have 30 to 60 day terms, are initially recognised at fair value and are subsequently measured at amortised cost using the effective interest rate method less any provisions for expected impairment losses or actual impairment losses.

Collectability of trade receivables is reviewed on an ongoing basis. Debts that are known to be uncollectible are written off when identified.

During the year, the Group early adopted *AASB 9 Financial Instruments*. As a result, the provision for impairment losses is now calculated using an expected loss impairment model. There has been no significant financial impact arising from this change in accounting policy.

	2016 $000s	2015 $000s
Trade receivables	109,776	90,786
Allowance for doubtful debts	(5,254)	(5,121)
	104,522	85,665
Accrued income	13,722	16,298
Other receivables	3,681	5,964
	121,925	107,927

Due to the short term nature of these receivables, their carrying value is assumed to approximate their fair value.

The Group is not exposed to significant credit risk due to the nature of revenue which is generally received in advance of the service being provided. The maximum exposure to credit risk is the net carrying amount of receivables.

A significant portion of receivables is for student debts that are funded by monthly installments from Governments under student loan arrangements. Subject to certain criteria being achieved by the student, Government funding has low credit risk.

In situations where revenues are not provided in advance of service, the Group trades only with recognised, creditworthy third parties, and as such collateral is not requested nor is it the Group's policy to securitise its trade and other receivables.

It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures including an assessment of their independent credit rating, financial position, past experience and industry reputation. Risk limits are set for each individual customer in accordance with parameters set by the Board. These risk limits are regularly monitored.

4.3 Property, plant and equipment

Accounting policies

Plant and equipment is stated at historical cost less accumulated depreciation and any impairment in value.

Information in relation to depreciation of property, plant and equipment is included in section 3.2.

$000s	Plant and equipment	Leasehold Improvements	Total
Gross carrying amount			
Balance at 1 July 2014	59,137	92,301	151,438
Additions	18,912	19,221	38,133
Acquisition of controlled entity	7,575	-	7,575
Disposals	(4,294)	(1,757)	(6,051)
Exchange differences	6,727	2,310	9,037
Balance at 1 July 2015	88,057	112,075	200,132
Additions	15,066	47,565	62,631
Disposal of controlled entity	(1,297)	-	(1,297)
Disposals	(5,386)	(458)	(5,844)
Exchange differences	(778)	1,792	1,014
Closing balance at 30 June 2016	95,662	160,974	256,636
Accumulated depreciation			
Balance at 1 July 2014	(26,920)	(50,150)	(77,070)
Depreciation expense	(13,561)	(13,757)	(27,318)
Disposals	4,107	2,247	6,354
Exchange differences	(1,162)	(1,742)	(2,904)
Balance at 1 July 2015	(37,536)	(63,402)	(100,938)
Depreciation expense	(15,427)	(15,340)	(30,767)
Disposal of controlled entity	1,094	-	1,094
Disposals	4,678	318	4,996
Exchange differences	1,447	(917)	530
Closing balance at 30 June 2016	(45,744)	(79,341)	(125,085)
Net book value			
At 1 July 2014	32,217	42,151	74,368
At 1 July 2015	50,521	48,673	99,194
At 30 June 2016	49,918	81,633	131,551

The Group has contracted for capital expenditure in respect of property, plant and equipment but not recognised as liabilities at the end of the reporting period totalling $21.283m.

4.3.1 Additions

During the year, the Group commenced commercial fitout of a new leased premises in Sydney Australia. This fitout is to be primarily funded by lease incentives contributed by the landlord. As at 30 June 2016 $24.4m had been paid in relation to the lease fitout of which $9.8m had been received from the landlord. The remaining balance will be received from the landlord during FY17.

Additions in the year ended 30 June 2016 include non-cash additions of $17.7m. These include a make good asset in respect of the leased premise above of $8.4m and accrued fitout costs in respect of work performed during June 2016 of $7.3m.

4.4 Trade and other payables

Accounting policies

Trade payables and other payables have 30-60 day terms and are carried at amortised cost and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services.

Wages, salaries, annual leave

Liabilities for wages and salaries, including non monetary benefits, and annual leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled.

Annual leave expected to be settled more than 12 months after the reporting date is measured as the present value of the expected future payments, adjusted for future wage and salary levels, and are recognised in other payables.

Lease incentives

Lease incentives received under operating leases are recognised as a liability and amortised on a straight-line basis over the lease term. Leasehold improvements that are funded by lease incentives are included in property, plant and equipment – refer note 4.3.

Trade and other payables	**2016 $000s**	**2015 $000s**
Current		
Trade payables	22,916	20,411
Other payables	113,528	100,995
Lease incentives	3,196	3,651
	139,640	125,057
Non Current		
Lease incentives	23,555	10,793

4.5 Provisions

Accounting policies

Provisions

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the balance sheet date. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. The increase in the provision due to the passage of time is recognised as a finance cost.

Make good

Under the terms of its lease agreements the Group must restore certain leased premises to their condition as at the commencement of the lease.

The Group has incurred an increase in make good provisions due to a significant new office lease in Sydney, Australia.

4.5 Provisions (continued)

Long service leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by the employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service.

Expected future payments are discounted using market yields at the reporting date on high quality corporate bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

	2016 $000s	2015 $000s
Current		
Make good	9,575	348
Employee benefits	6,764	5,496
	16,339	5,844
Non Current		
Make good	13,118	6,046
Employee benefits	6,562	6,498
	19,680	12,544

5 Capital structure and financing

This section outlines how the Group manages its capital structure and related financing costs, including its balance sheet liquidity and access to capital markets.

The Directors determine the appropriate capital structure, specifically, how much is raised from shareholders (equity) and how much is borrowed from financial institutions (debt) in order to finance the Group's activities both now and in the future. The Directors consider the Group's capital structure and dividend policy ahead of announcing results and do so in the context of its ability to continue as a going concern, to execute the strategy and to deliver its business plan.

5.1 Cash and cash equivalents

Accounting policies

Cash and cash equivalents in the statement of financial position comprise cash at bank and in hand and short-term deposits that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Cash flows are included in the statement of cash flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Cash at bank earns interest at floating rates based on daily bank deposit rates.

Tuition Fees held in Tuition Protection Service Accounts in Australia

The Group is required to maintain, in Australia, separate bank accounts for funds received from international students prior to commencement of their course (prepaid fees). As at 30 June 2016, the Group's Australian operations held $47.9m (2015: $46.4m) in prepaid fees for students who had not commenced studies with the Group, with a corresponding amount included in deferred revenue.

These funds are held in separate bank accounts until the student commences their course, at which point the funds may be used to settle normal obligations of the Group. At all times, the Group must ensure that there are sufficient funds in these separate bank accounts to repay prepaid tuition fees in full to all international students, in respect of whom tuition fees have been paid and who have not yet commenced their course.

5.2 Borrowings

Accounting policies

All loans and borrowings are initially recognised at the fair value of the consideration received. Due to the nature of these borrowings, the carrying amount of the Group's borrowings approximate their fair value.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any issue costs, and any discount or premium on settlement.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance date.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

5.2.1 Summary of borrowing arrangements

At reporting date, the following banking facilities had been executed and were available.

	2016 $000s	2015 $000s
Total facilities		
Credit facility	400,000	400,000
Facilities unutilised at balance date		
Credit facility	204,578	227,598

A total of $195.422m (2015: $172.402m) had been utilised of the total facility, split between lease rental and performance guarantees of $60.329m (2015: $49.263m) and borrowings of $135.093m (2015: $123.139m) drawn in Australian Dollars, Euro, US Dollars and Singapore Dollars.

The borrowings of $135.093m (2015: $123.139m) include $14.718m (2015: $14.180m) at floating interest rates and $120.375m (2015: $108.959m) at fixed interest rates (via interest rate swaps – refer note 5.4.1).

The facilities are unsecured. The weighted average effective interest rate on the facilities was 3.03% (2015: 2.62%). Further details are provided in note 5.4.

5.2.2 Leasing

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Operating leases - Group as lessee

The Group has entered into commercial leases on certain premises. These leases have an average life of between 3 and 12 years with options to renew in some cases. There are no restrictions placed upon the lessee by entering into these leases.

	2016 $000s	2015 $000s
Future minimum rentals payable		
Within one year	58,112	58,225
After one year but not more than five years	195,443	230,590
More than five years	243,240	251,116
	496,795	539,931

5.3 Capital risk management objectives and policies

When managing capital it is management's objective to maximise the returns to shareholders as measured by Economic Value Added (EVA®), whilst also ensuring that the entity continues to operate as a going concern.

EVA measures the profits earned by the business after charging for the funds invested by both lenders and shareholders. Accordingly management aims to maintain a capital structure that ensures the lowest cost of capital for the Group, and maximises returns to shareholders from their capital investment.

Management regularly review capital structure to ensure that the Group takes advantage of favourable costs of capital. As the market is constantly changing, management will: actively review the amount of dividends to be paid to shareholders, return capital to shareholders, issue new shares, and initiate on market share buy backs, and drawdown on/repay bank borrowings to ensure that capital is managed appropriately.

The Group operates globally, primarily through subsidiary companies established in the markets in which the Group trades. None of the Group's entities are subject to externally imposed capital requirements.

The Group's policy is to borrow centrally, using a variety of currencies, to meet anticipated funding requirements.

Management monitors capital through the combination of leverage ratio (market value of net debt/total market value of capital) and return on capital employed. The Group's target leverage ratio is 10%. Under certain circumstances the actual ratio will be higher or lower than the target, in which case, capital will be managed towards the target.

The Group's leverage ratios at 30 June 2016 and 2015 were as follows:

	2016 $000s	2015 $000s
Total borrowings	135,093	123,139
Less cash and cash equivalents	(78,919)	(87,188)
Net debt	56,174	35,951
Market Capitalisation	2,039,861	1,611,807
Market value of capital	2,096,035	1,647,758
Leverage ratio	2.7%	2.2%

EVA® Is a registered trademark of Stern Stewart & Co.

The leverage ratio at balance date is lower than the average over the financial year as this is the annual low point for net debt. Seasonality is driven by the timing of key student enrolment periods.

Management's target for return on capital employed is a minimum return in excess of the Group's weighted average cost of capital (WACC). For 2016, the Group's WACC was approximately 8% (2015: 8%). Returns on capital employed were 21.6% (2015: 22.8%) from continuing operations; well above the Group's WACC.

5.4 Financial risk management objectives and policies

The Group's principal financial instruments comprise receivables, payables, bank loans, cash and cash equivalents and derivatives.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method less impairment. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

The Group manages its exposure to key financial risks, including interest rate and currency risk in accordance with the Group's Treasury policy. The objective of the policy is to support the delivery of the Group's financial targets whilst protecting future financial security.

The Group may enter into derivative transactions, principally interest rate swaps and forward currency contracts. The purpose is to manage the potential interest rate and currency risks arising from the Group's operations and its sources of finance. Derivatives, specifically in forward currency contracts, may also be entered into. These derivatives provide economic hedges, but may not qualify for hedge accounting and are based on limits approved by the Audit and Risk Committee. There are no economic hedges at 30 June 2016

The main risks that may arise from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk.

The Group uses different methods to measure and manage different types of risks to which it is exposed. These include monitoring levels of potential exposure to interest rate and foreign exchange risk and assessments of market forecasts for interest rate and foreign exchange rates. Where material, ageing analyses and monitoring of specific credit allowances are undertaken to manage credit risk, liquidity risk is monitored through the development of future rolling cash flow forecasts and maintenance of appropriate credit facilities.

The Audit and Risk Committee periodically reviews the policies for managing each of these risks as summarised below.

Risk exposures and responses

5.4.1 Interest rate risk

At reporting date the Group had the following mix of financial assets and liabilities exposed to interest rate risk:

	Variable interest rate risk		Fixed Interest rate risk (after interest rate swaps)	
	2016 $000s	2015 $000s	2016 $000s	2015 $000s
Financial Assets				
Cash and cash equivalents	78,919	87,188	-	-
Financial Liabilities				
Bank borrowings	14,718	14,180	120,375	108,959
Net exposure	64,201	73,008	(120,375)	(108,959)

The Group's exposure to market interest rates relates primarily to the Group's long term borrowing obligations with a floating interest rate. The level of debt is disclosed in note 5.2. The Group's debt facilities allow borrowings in multiple foreign currencies, accordingly, interest rates on interest-bearing loans of the Group currently range from 0.5% to 3.2% (2015: 1.3% to 3.4%).

The Group's policy is to manage its interest cost using a mix of fixed and variable rate debt, and that between 50% and 75% of core borrowings must be at fixed rates of interest. Core borrowings is defined as the lowest level of borrowings forecast in the Group's forward projections.

In the absence of fixed rate debt the Group's policy allows for the use of interest rate swaps, collars and caps. Where the Group enters into fixed rate debt it is understood that this creates a fair value exposure as a by-product of the Group's attempt to manage its cash flow volatility arising from interest rate changes.

5.4 Financial risk management objectives and policies (continued)

5.4.1 Interest rate risk (continued)

The Group has entered into interest rate swap contracts, in order to protect against rising interest rates, under which it has a right to receive interest at variable rates and to pay interest at fixed rates. At 30 June 2016 the value of interest rate swap contracts held was $132.105m (2015: $128.959m).

The following swaps have been in place for both the current and the previous financial year:

- Euro interest swaps at 0.71% maturing in February 2018.
- AUD interest swaps at 3.49% maturing in February 2018.

The interest rate swaps require settlement of net interest receivable or payable each month. The settlement dates coincide with the dates on which interest is payable on the underlying debt. All swaps are matched directly against the appropriate loans and interest expense and as such are considered highly effective. They are settled on a net basis. The swaps are measured at fair value and all gains and losses attributable to the hedged risk are taken directly to equity and re-classified into profit or loss when the interest expense is recognised.

During April 2016, the Group entered into a cross currency basis swap over Eur75m of borrowings, expiring in April 2018. The cross currency basis swap is essentially a funding instrument that reduces the bank margin that the Group pays on its borrowings and is not a trading instrument and provides a foreign currency hedge against historic assets acquired in Euros.

The cross currency basis swap involves the conversion of Eur75m borrowings into $109.4m of borrowings and swapping a Euro interest expense to an AUD interest expense. On maturity in April 2018, the borrowings of $109.4m will be converted back to borrowings of Eur75m.

The fair values of the interest rate swap contracts and cross currency basis swap contracts are as follows:

	2016 $000s	2015 $000s
Current Liabilities – other payables		
Interest rate swap contracts - cash flow hedges	2,876	2,743
Cross currency basis swap contracts - cash flow hedges	2,436	-
	5,312	2,743

Interest rate swap contracts are exposed to fair value movements if interest rates change. Under these contracts the Group is committed to $1.496m (2015: $1.488m) interest expense within 12 months, $1.057m (2015: $1.488m) interest expense between 1 year and 2 years, and $nil (2015: $1.110m) interest expense between 2 years and 5 years, on $132.105m (2015: $128.959m) of notional debt (at rates as per above).

The Group constantly analyses its interest rate exposure. Within this analysis consideration is given to potential renewals of existing positions, alternative financing, alternative hedging positions and the mix of fixed and variable interest rates.

5.4 Financial risk management objectives and policies (continued)

5.4.1 Interest rate risk (continued)

Sensitivity analysis

The following sensitivity analysis is based on the interest rate risk exposures in existence at the balance sheet date.

At 30 June 2016, if interest rates had moved, as illustrated in the table below, with all other variables held constant, post tax profit and equity would have been affected as follows:

	2016 $000s	2015 $000s
Judgements of reasonably possible movements		
Post tax profit and equity higher/(lower)		
+1% (100 basis points)	449	504

The movements in profit and equity are due to a small decrease in interest revenues from variable rate cash balances and a small increase in interest expenses on variable rate borrowings.

Management believe the balance date risk exposures are representative of the risk exposure inherent in the financial instruments.

5.4.2 Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense is denominated in different currency from the Group's presentation currency) "Transactional risk", and the Group's net investments in foreign subsidiaries "Translational risk".

5.4.2.1 Transactional risk

During the 2015 financial year the Company changed its foreign currency risk policy to only hedge known and committed exposures rather than forecast cashflows over a two year horizon. The policy was changed to benefit the business by increasing certainty and reducing complexity.

5.4.2.2 Translational risk

The Group's policy is to hedge its exposure to fluctuations on the translation of its foreign operations by holding net borrowings in foreign currencies, where the unhedged exposure exceeds $10.0m. This is currently limited to the Group's Euro, US Dollar and Singapore Dollar exposures.

5.4.3 Credit risk

Credit risk arises from the financial assets of the Group, which comprise cash and cash equivalents, trade and other receivables, other financial assets and derivative instruments. The Group's exposure to credit risk arises from potential default of the counter party, with a maximum exposure equal to the carrying amount of these instruments.

The Group is not exposed to significant credit risk. See note 4.2.

5.4 Financial risk management objectives and policies (continued)

5.4.4 Liquidity risk

The Group's objective is to maintain a balance between the continuity of funding and flexibility through the use of operating cash flows and committed available credit facilities.

During the 2015 financial year, the Group completed a refinancing of the Group's existing debt facilities via a series of five year multi currency bilateral revolving credit facilities. The new facilities increased the total facility limit to $400m and increased the term to December 2019. These facilities are split into two tranches. Tranche A is $340m and wholly consists of credit facilities, whereas Tranche B is $60m and can either be used as credit facilities or for guarantee requirements.

During the current year, in order to provide additional performance guarantees, Tranche B was increased to $70m and Tranche A was reduced to $330m.

A total of $195.422m (2015: $172.402m) had been utilised of the total facility, split between lease rental and performance guarantees of $60.329m (2015: $49.263m) and borrowings of $135.093m (2015: $123.139m).

Cash flows from operations for 2016 were $125.810m (2015: $141.834m).

The Group's policy is that no more than 50% of credit facilities should mature within the following 12 months. At 30 June 2016, none (2015: none) of the Group's credit facilities will mature within the following 12 months.

Contractual maturities

2016	**<3 months $000s**	**3 months to a year $000s**	**1 – 5 years $000s**	**Total $000s**
Financial assets				
Cash and cash equivalents	78,919	-	-	78,919
Trade and other receivables	118,244	3,681	-	121,925
	197,163	3,681	-	200,844
Financial liabilities				
Trade and other payables	22,916	108,216	-	131,132
Borrowings	-	-	135,093	135,093
Cross currency basis swap	-	-	2,730	2,730
Interest rate derivatives	374	1,122	1,057	2,553
	23,290	109,338	138,880	271,508
Net maturity	173,873	(105,657)	(138,880)	(70,664)
2015				
Financial assets				
Cash and cash equivalents	87,188	-	-	87,188
Trade and other receivables	101,963	5,964	-	107,927
	189,151	5,964	-	195,115
Financial liabilities				
Trade and other payables	20,411	98,252	-	118,663
Borrowings	-	-	123,139	123,139
Interest rate derivatives	372	1,116	2,598	4,086
	20,783	99,368	125,737	245,888
Net maturity	168,368	(93,404)	(125,737)	(50,773)

5.4 Financial risk management objectives and policies (continued)

5.4.4 Liquidity risk (continued)

The tables above reflect all contractually fixed settlement, repayments, receivables and interest resulting from recognised financial liabilities and assets, including derivative financial instruments, as of 30 June 2016. For derivative financial instruments the gross cash settlement is presented where gross settlement occurs and the net cash settlement is presented where net settlement occurs. For the other obligations the respective undiscounted cash flows for the respective upcoming fiscal years are presented. Cash flows for financial liabilities are based on the earliest possible date on which the Group can be required to pay. Cash flows for financial assets are based on the terms and conditions existing at the balance sheet date.

Management manages this liquidity risk by the maintenance of appropriate unutilised credit facilities and continued operation of the business as a going concern generating operating cash flows. Whilst operating as a going concern, the material business units of the Group receive operating cash flows prior to the provision of the service. At 30 June 2016, the Group had recognised deferred revenue of $272.707m (2015: $280.584m), representing cash receipted by the Group for which tuition services had yet to be provided. Management have utilised these cash receipts to reduce debt, return capital to shareholders, and to purchase investments. At 30 June 2016, the Group had $135.093m bank debt (2015: $123.139m) and had unutilised credit facilities of $204.578m available (2015: $227.598m). Management is confident this is sufficient to cover any liquidity risk exposure at 30 June 2016.

5.5 Issued Capital

Movements in shares on issue

	2016		2015	
	Shares Number	$000s	Shares Number	$000s
Movements in shares on issue				
At 1 July	376,330,968	200,974	375,712,581	197,868
Dividend reinvestment plan (i)	566,138	2,509	527,926	2,641
Employee share schemes (ii)	102,861	417	90,461	465
Shares bought back on-market and cancelled (iii)	(5,440,614)	(26,805)	-	-
At 30 June	371,559,353	177,095	376,330,968	200,974

(i) Dividend reinvestment plan

During the year the Company issued 566,138 (2015: 527,926) shares to a value of $2.509m (2015: $2.641m) in lieu of cash dividends.

(ii) Employee share schemes

During the year the Company issued 47,265 (2015: 44,419) shares to executive employees (under the terms of the Executive Share Plan) to a value of $0.192m (2015: $0.228m) in settlement of obligations arising from the Company's ValueShare incentive scheme. These obligations were previously recognised in the Company's results for the 2015 and 2014 financial years. In addition, the Company issued 55,596 (2015: 46,042) shares valued at $0.225m (2015: $0.237m) to eligible employees in lieu of salaries and wages as part of the Company's Employee Share Ownership Plan.

(iii) Share buy-back

On 2 February 2016, the Company announced an on-market buy-back of up to 7.5% of its ordinary shares currently on issue as part of a capital management initiative.

In the period to 30 June 2016, the Company has purchased and cancelled a total of 5,440,614 ordinary shares. The shares were acquired at an average price of $4.93 per share, with prices ranging from $4.58 to $5.18. The total cost of $26.805m was deducted from issued capital.

6 Other notes

6.1 Related party disclosures

6.1.1 Equity interests in related parties

The consolidated financial statements include the financial statements of Navitas Limited and its controlled entities. The table below lists the primary operating controlled entities of the Group. Individual controlled entities that do not provide a significant contribution to the Group's revenue, profits or net assets have not been listed. All are owned 100% except as indicated.

Country of incorporation
Name

Australia

ACL Pty Ltd*
Australian Campus Network Pty Limited*
Australian College of English Pty Ltd*
Cadre Design Pty. Limited*
Colleges of Business & Technology (NSW) Pty Ltd*
Colleges of Business and Technology (WA) Pty Ltd*
Cytech Intersearch Pty Limited*
Educational Enterprises Australia Pty. Ltd.*
Educational Services Pty Ltd*
Hawthorn Learning Pty Limited*
Health Skills Australia Pty Ltd*
IBT (Canada) Pty Limited*
IBT (Sydney) Pty Limited*
IBT Education Pty Ltd*
IBT Finance Pty Limited*
Navitas SAE (UK) Holdings Pty Ltd (previously Institutes of Business and Technology (UK) Pty Ltd)*
LM Training Specialists Pty. Ltd.*
Melbourne Institute of Business and Technology Pty Ltd*
Navitas America Pty Ltd*
* indicates member of the closed group
Navitas Bundoora Pty Ltd*
Navitas College of Health Pty Ltd*
Navitas College of Public Safety Pty Ltd*
Navitas English Pty Limited*
Navitas English Services Pty Limited*
Navitas LIS Holdings Pty Ltd (previously EduGlobal Pty Ltd)*
Navitas Professional Institute Pty Ltd*
Navitas Professional Pty Ltd*
Navitas Professional Training Pty Ltd*
Navitas SAE Holdings Pty Ltd*
Navitas USA Pty Ltd*
Newcastle International College Pty Ltd*
Perth Institute of Business and Technology Pty Ltd*
Queensland Institute of Business & Technology Pty Ltd*
SAE Institute Pty Limited*
South Australian Institute of Business and Technology Pty Ltd*
Sydney Institute of Business and Technology Pty Ltd*
The Australian Centre for Languages Pty Ltd*
The Learning Space Pty Ltd*

Rest of World

Fraser International College Limited
Curtin Education Centre Pte. Ltd. (90%)
SAE-Institute GmbH

Entities subject to class order relief

Pursuant to ASIC Class Order 98/1418, relief has been granted to certain of the entities which are indicated above as members of the closed group ("closed group entities") from the Corporations Act 2001 requirements for preparation, audit and lodgement of their financial reports.

As a condition of the Class Order, Navitas Limited and the closed group entities entered into a Deed of Cross Guarantee on 15 June 2006, as varied from time to time. The effect of the deed is that Navitas Limited has guaranteed to pay any deficiency in the event of winding up of any closed group entity. The closed group entities have also given a similar guarantee in the event that Navitas Limited is wound up.

During the period, no entity has been:

- removed by a revocation deed contemplated by the Deed of Cross Guarantee; or
- the subject of a notice of disposal contemplated by the Deed of Cross Guarantee.

During the period, no entity obtained relief under the Class Order or a previous order at the end of the immediately preceding financial year but which was ineligible for relief in respect of the relevant financial period.

6.1 Related party disclosures (continued)

6.1.2 Closed Group Disclosures

The consolidated statement of financial position and consolidated statement of profit or loss and other comprehensive income of the entities which are members of the "closed group" are as follows:

Consolidated statement of financial position

	Closed Group	
	2016 $000s	2015 $000s
Current Assets		
Cash and cash equivalents	52,189	56,084
Trade and other receivables	77,905	66,003
Prepayments and other assets	13,581	14,760
Total Current Assets	143,675	136,847
Non Current Assets		
Property, plant and equipment	76,835	41,541
Deferred tax assets	20,112	18,821
Intangible assets	327,367	328,116
Other financial assets	313,838	313,064
Total Non Current Assets	738,152	701,542
Total Assets	881,827	838,389
Current Liabilities		
Trade and other payables	119,578	79,490
Deferred revenue	163,049	175,161
Current tax payable	1,743	9,301
Borrowings	108,067	114,466
Provisions	16,716	5,705
Total Current Liabilities	409,153	384,123
Non Current Liabilities		
Trade and other payables	-	1,257
Bank borrowings	135,093	123,139
Provisions	18,824	11,796
Total Non Current Liabilities	153,917	136,192
Total Liabilities	563,070	520,315
Net Assets	318,757	318,074
Equity		
Issued capital	177,095	200,974
Reserves	(3,718)	(1,920)
Retained earnings	145,380	119,020
Total Equity	318,757	318,074

Consolidated Retained Earnings

At 1 July	119,020	114,808
Profit attributable to members of the closed group	100,460	77,506
Dividends	(74,100)	(73,294)
At 30 June	145,380	119,020

6.1 Related party disclosures (continued)

6.1.2 Closed Group Disclosures (continued)

Consolidated statement of profit or loss and other comprehensive income

	Closed Group 2016 $000s	Closed Group 2015 $000s
Revenue	661,089	649,289
Marketing expenses	(96,652)	(88,155)
Academic expenses	(164,442)	(168,479)
Administration expenses	(263,523)	(270,116)
Finance costs	(7,250)	(6,937)
Profit before income tax expense	**129,222**	**115,602**
Income tax expense	(28,762)	(38,096)
Profit for the year	**100,460**	**77,506**
Other comprehensive income / (expense)		
Items that may be subsequently reclassified to profit or loss		
Fair value movements in hedge instruments	(2,569)	(437)
Income tax relating to other comprehensive income	771	131
Other comprehensive income/(expense) for the year	(1,798)	(306)
Total comprehensive income for the year	**98,662**	**77,200**

6.1.3 Transactions with other related parties

Transactions between the Group and its related parties

During the financial year, the following transactions occurred between the Group and its other related parties:

- Minority shareholders were repaid $nil (2015: $540,677).
- Hoperidge Advisors Pty Ltd, an entity associated with Mr Rod Jones, is a sub tenant in one of the Group's rented properties. Navitas has recorded income of $64,388 (2015: $67,347) in relation to this contract. This contract is on normal terms and conditions.
- Greenridge Electrical Pty Ltd, an entity associated with Mr Rod Jones, is a sub tenant in one of the Group's rented properties. Navitas has recorded income of $43,080 (2015: $nil) in relation to this contract. This contract is on normal terms and conditions.
- Navitas Limited has provided a loan to Western Sydney University International College Pty Limited, a joint venture company, of $800,000. Interest is payable on the loan at a rate of the RBS cash rate plus a margin of 3% and is payable quarterly in arrears. During the year, Navitas Limited has charged interest income of $12,798 on the loan and interest of $8,208 is outstanding at 30 June 2016. The loan is outstanding at 30 June 2016 and has no set repayment terms.
- Navitas Limited has charged services fees of $38,363 and provided marketing, staff and other services totaling $143,150 to Western Sydney University International College Pty Limited, a joint venture company, during the year. At 30 June 2016, an amount of $52,483 is outstanding.
- Navitas Limited has charged services fees of $1,288,415 and provided marketing, staff and other services totaling $117,353 to University of Canberra College Pty Limited, a joint venture company, during the year. At 30 June 2016, an amount of $70,988 is outstanding.

Apart from the above, there were no balances, arising from transactions between the Group and its other related parties, outstanding at reporting date.

All amounts advanced to or repayable to related parties are unsecured and are subordinate to other liabilities. The amounts outstanding will be settled in cash.

6.1 Related party disclosures (continued)

6.1.4 Transactions with Key Management Personnel

A list of key management personnel is provided in the remuneration report on page 66. Aggregate compensation and shareholdings are provided on pages 74 to 78.

6.2 Parent Entity Disclosures

Financial Information	**Parent**	
	2016 $000s	**2015 $000s**
Current Assets	99,617	45,808
Total Assets	702,021	609,166
Current Liabilities	341,876	207,978
Total Liabilities	486,037	331,066
Shareholders Equity		
Issued capital	177,095	200,974
Reserves	(3,718)	(1,920)
Retained earnings	42,607	79,046
Total Equity	215,984	278,100
Profit for the year	37,661	69,233
Total comprehensive income	35,863	68,927

6.3 Auditor's remuneration

The auditor of Navitas Limited is Deloitte Touche Tohmatsu.

	2016 $	**2015 $**
Audit services		
Auditor of the Company		
Deloitte Touche Tohmatsu (Australia)		
Audit and review of financial reports	369,841	306,000
Other regulatory audit services	27,045	14,900
Overseas Deloitte Touche Tohmatsu firms		
Audit and review of financial reports	742,894	545,464
Other regulatory audit services	7,216	11,730
	1,146,996	878,094
Other Auditor		
Audit and review of financial reports	-	-
Other services		
Auditor of the Company		
Deloitte Touche Tohmatsu (Australia)		
Other – tax services	2,989	6,129
	1,149,985	884,223

7 Unrecognised Items

7.1 Guarantees

The Group has entered into lease rental guarantees with a face value of $37.188m (2015: $25.554m) and performance guarantees with a face value of $73.681m (2015: $80.880m). The fair value of the guarantees has been assessed as $nil based on underlying performance of the entities subject to the guarantees.

Cross guarantees between entities in the closed group (see note 6.1.1) have been provided by Navitas Limited and its controlled entities. The fair value of the cross guarantees has been assessed as $nil based on the underlying performance of the entities in the closed group.

7.2 Contingent Liabilities

A UK subsidiary of Navitas is currently in dispute with HM Revenue & Customs in the UK as to whether the subsidiary provides exempt education for the purposes of UK VAT. The matter has been heard by the First-Tier Tribunal (Tax and Chancery Chamber) and the Tribunal ruled in Navitas' favour.

HM Revenue & Customs subsequently sought leave from the First-Tier Tribunal to appeal this decision. This initial request to the First-Tier Tribunal was rejected, although HM Revenue & Customs was granted specific leave to seek permission to appeal to the Upper Tribunal (Tax and Chancery Chamber). HM Revenue & Customs applied for permission to appeal to the Upper Tribunal on 30 June 2014 and on 23 July 2014 this was refused. HM Revenue & Customs applied for this decision to be reconsidered at an oral hearing in 11 December 2014. Permission to appeal to the Upper Tribunal (Tax and Chancery Chamber) was granted subsequent to this hearing. The appeal was heard in December 2015 and the Upper Tribunal (Tax and Chancery Chamber) subsequently ruled in favour of HM Revenue & Customs.

Based on external legal advice, the UK subsidiary appealed to the Court of Appeal against this ruling and believe that there are good prospects that the Court of Appeal will rule in Navitas' favour on appeal. Should the Court of Appeal rule in favour of HM Revenue & Customs the Group faces a potential VAT liability. As at 30 June 2016 the best estimate of such a liability is $5.35m, with a total potential reduction in profits after tax of $4.28m.

8 Events after balance sheet date

Subsequent to balance sheet date, the directors of the Company declared a final dividend on ordinary shares in respect of the 2016 financial year. The total amount of dividend is $36.784m, which represents a fully franked dividend of 9.9 cents per share. The dividend has not been provided for in the 30 June 2016 financial statements.

9 Changes in the Group's Structure

In July 2015 the Group disposed of its 55% share in EduGlobal China for nil consideration.

Directors' Report

Your Directors submit their report for the year ended 30 June 2016.

Directors

The names and details of the Company's directors in office during the financial year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

Names, qualifications, experience and special responsibilities

Harvey Collins BBus, FCPA, SFFin, FAICD
Non-Executive Chairman
Appointed 9 November 2004

Mr Collins has extensive executive and board experience in a range of industries. From 1986 to 1996 he held senior management roles in Western Australian regional bank, Challenge Bank Limited, including five years as Chief Financial Officer. From 1997 to 2002, he was an executive director of listed investment company, Chieftain Securities Limited. From May 2009 to September 2012, he was the non-executive Chairman of Bank of Western Australia Limited (Bankwest). From February 2004 to 30 June 2013, he was a non-executive director (Deputy Chairman) of Verve Energy (Electricity Generation Corporation). Mr Collins has held board appointments in industries as diverse as financial services, health insurance, telecommunications, equipment hire, mining services, electricity and the not-for-profit sector. He is a past member of the WA State Council of the Australian Institute of Company Directors.

During the past three years, Mr Collins has not served as a director of any other listed companies.

Rod Jones BComm, DEd (Hon) ECowan, MAICD
Group Chief Executive Officer and Managing Director
Appointed 18 June 2004

Mr Jones has 45 years' experience in educational administration and has held a number of senior administrative positions within the Government and the private education sectors. His background covers both secondary and higher education in Australia.

Mr Jones has been involved in international education since 1987 and is recognised as one of the leaders in the successful establishment of the sector in Australia. He is one of the co-founders of Navitas and has been instrumental in the expansion and development of the Navitas model into the various markets in which it now operates.

In April 2007, Mr Jones received an honorary Doctor of Education from Edith Cowan University in recognition of his outstanding contribution to the development of the international education sector both in Australia and overseas, and in 2008 was awarded the Australian Ernst & Young Entrepreneur of the Year. In 2010, Mr Jones was recognised by his colleagues with an International Education Excellence Award from the International Education Association of Australia for his leadership in the field of international education.

Mr Jones is a member of the Business Council of Australia and the Australian Institute of Company Directors. He is also a significant supporter of a number of charitable causes in Australia.

During the past three years, Mr Jones has not served as a director of any other listed companies.

Tony Cipa BBus, Grad Dip Accounting
Non-Executive Director
Appointed 1 May 2014

Mr Cipa has extensive international business and finance experience including his roles as CFO and Executive Finance Director for CSL Limited, the ASX listed international biopharmaceutical company.

During his time leading the finance function of CSL the company grew from a previously government owned business to a global market leader with over 20 international locations including the USA, UK, Canada and Germany. Mr Cipa was CFO from 1994 to 2000 then served as Executive Finance Director on CSL's Board of Directors from 2000 to 2010.

Mr Cipa is currently the Chairman of the Audit and Risk Committee and a Non-Executive Director of Healthscope Limited. Mr Cipa is also a Non-Executive Director at Mansfield District Hospital. He was previously the Chairman of the Audit and Risk Committee and a Non-Executive Director of Skilled Group.

During the past three years Mr Cipa has served as a director of the following other listed companies:

- Healthscope Limited* (from 28 June 2014 to present)
- Skilled Group (from 4 April 2011 to 19 October 2015)

*Denotes current directorship

Diana Eilert BSc Maths & Chemistry, MComm Finance & Marketing
Non-Executive Director
Appointed 28 July 2014

Ms Eilert is a professional non-executive director with extensive board and executive experience gained in a 25 year career across a variety of sectors.

Ms Eilert is currently a non-executive director of Super Retail Group (ASX: SUL), AMP Life, Network NSW and Queensland Urban Utilities, and was previously a Non-Executive Director of digital business realestate.com.au (ASX: REA), Veda Group Limited (ASX: VED) and digital start-ups such as "onthehouse" and OurDeal.

Ms Eilert has held operational roles as Group Executive in Suncorp's entire insurance business and later, Group Executive People, Technology, Marketing and Joint Ventures for Suncorp. She had 10 years' experience with Citibank running retail bank credit and risk, the mortgage business, the retail funds management business, and the Direct Bank, reporting to the Country Head.

Most recently Ms Eilert was Head of Strategy and Corporate Development for News Ltd, where her focus was on digital transformation and emerging business models.

During the past three years Ms Eilert has served as a director of the following other listed companies:

- Super Retail Group* (from 21 October 2015 to present)
- Veda Group Limited (from 18 October 2013 to 26 February 2016)
- Onthehouse Holdings Limited (from 1 July 2012 to 26 November 2013)

*Denotes current directorship

Tracey Horton BEcon (Hons) UWA, MBA Stan, Prof Emer, FAICD, FGIA
Non-Executive Director
Appointed 13 June 2012

Ms Horton has extensive international business and education experience most recently as Winthrop Professor and Dean of the University of Western Australia's Business School where she was responsible for leading more than 200 faculty and staff and around 5,000 students.

Prior to this role she completed executive or senior management roles in North America with Bain & Company and across Australia with Poynton and Partners and the Reserve Bank of Australia.

Ms Horton has significant governance experience including past directorships with Skilled Group and Automotive Holdings Group. Ms Horton is a Commissioner for Tourism Western Australia, Chairman of Presbyterian Ladies College and Immediate Past President of the Chamber of Commerce and Industry (WA). Ms Horton is also a member of the Australian Takeovers Panel, the national board of the Australian Institute of Company Directors and the Bain & Company Advisory Board. She was

previously Chairman of D'Orsogna Ltd, Deputy Chair of the Water Corporation in WA and Chairman of Fashion Council – WA.

During the past three years Ms Horton has served as a director of the following other listed companies:

- Skilled Group (from 10 February 2011 to 19 October 2015)
- Automotive Holdings Group Limited (from 3 May 2012 to 20 November 2015)

James King BComm, FAICD
Non-Executive Director
Appointed 9 November 2004

Mr King brings to the Board of Navitas over thirty years of management and board experience with major multinational corporations in Australia and internationally.

Mr King was with Foster's Group Limited and was Managing Director Carlton & United Breweries and Managing Director Foster's Asia. Prior to joining Foster's in 1997, Mr King was President of Kraft Foods (Asia Pacific) and resided in Hong Kong for six years from 1991.

Mr King is currently a non-executive director of Lovisa Holdings Limited. He was previously on the board of The Trust Company Limited, JB Hi-Fi Limited, Pacific Brands Limited, the Council of Xavier College Melbourne and was also Chairman of the Juvenile Diabetes Research Foundation (Vic).

Mr King is a Fellow of the Australian Institute of Company Directors, and the immediate past Captain of Royal Melbourne Golf Club.

During the past three years, Mr King has served as a director of the following other listed companies:

- Lovisa Holdings Limited* (from 17 May 2016 to present)
- JB Hi-Fi Limited (from 10 May 2004 to 29 October 2015)
- Pacific Brands Limited (from 4 September 2009 to 14 July 2016)
- The Trust Company Limited (from 1 February 2007 to 18 December 2013)

*Denotes current directorship

Lisa Paul AO, PSM, BA (Hons), FAICD, FACEL, FAIM, FIPAA, FANZSOG
Non-Executive Director
Appointed 2 February 2016

Ms Paul has been a Chief Executive in the Australian federal government for 11 years, most recently as the Secretary of the Australian Government Department of Education and Training.

In 2011, Ms Paul was made an Officer of the Order of Australia for distinguished service to public sector leadership. In 2003, she was awarded a Public Service Medal for leading the Australian Government's domestic response to the Bali bombings.

Ms Paul is a fellow of the Australian Institute of Company Directors, a fellow of the Australian Council for Educational Leaders, National Fellow of the Institute of Public Administration Australia, a fellow of the Australian Institute of Management, an Australian National University Public Policy Fellow, a member of Chief Executive Women and a Fellow of the Australian and New Zealand School of Government.

Ms Paul currently serves on the boards of Programmed Group and APM International. She is also on the boards of Social Ventures Australia, Australian Schools Plus, High Resolves and the Australia American Educational Leadership Foundation Ltd. She is also a member of the Advisory Board to the Melbourne Accelerator Program.

During the past three years Ms Paul has served as a director of the following other listed company:

- Programmed Maintenance Services Limited* (from 3 February 2016 to present)

*Denotes current directorship

Interests in the shares and options of the Company and related bodies corporate

As at the date of this report, the interests of the Directors in the shares and options of Navitas Limited were:

Directors	Ordinary shares held
Harvey Collins	43,948
Rod Jones	45,117,995
Tony Cipa	10,000
Diana Eilert	-
Tracey Horton	6,000
Jim King	50,000
Lisa Paul*	-

* Appointed 2 February 2016

Directors' meetings

The number of meetings of Directors (including meetings of committees of Directors) held during the year, and the number of meetings attended by each Director, were as follows:

	Directors' meetings		Meetings of Committees			
			Audit and Risk		People and Remuneration	
	Number of meetings held while a director	attended	Number of meetings held while a committee member	attended	Number of meetings held while a committee member	attended
Harvey Collins	7	7	6	6	-	-
Rod Jones	7	7	-	-	-	-
Tony Cipa	7	7	6	6	-	-
Diana Eilert	7	7	-	-	5	5
Tracey Horton	7	7	-	-	5	5
James King	7	7	6	6	5	5
Lisa Paul*	2	2	-	-	-	-

* Appointed 2 February 2016

All Directors were eligible to attend all meetings held, unless specified.

Committee membership

As at the date of this report, the Company had an Audit and Risk Committee and a People and Remuneration Committee.

Members acting on the committees of the board during the year were:

Audit and Risk		People and Remuneration	
Tony Cipa	(Chairman)	Tracey Horton	(Chairman)
Harvey Collins		James King	
James King		Diana Eilert	

Indemnification and insurance of directors and officers

The Company has made an agreement to indemnify all the Directors against any liability incurred by that Director in their capacity as a director of the Company or a subsidiary of the Company. The agreement provides for the Company to pay an amount to indemnify directors only to the extent:

a) the Company is not precluded by law from indemnifying the Directors; and
b) for the amount that the Director is not otherwise entitled to be indemnified and is not actually indemnified by another person (including a related body corporate or an insurer).

During or since the financial year, the Company has paid premiums in respect of a contract insuring all the directors of Navitas Limited against any of the following liabilities incurred by the Director as a director, namely:

a) any liability which does not arise out of conduct involving:
   (i) a wilful breach of duty in relation to the Company; and
   (ii) a contravention of section 182 or section 183 of the Corporations Act 2001, as permitted by section 199B of the Corporations Act 2001; and
b) any liability for costs and expenses incurred by the Director in defending proceedings, whether civil or criminal, whatever their outcome, and without the qualifications set out in clause (a) above.

The total amount of insurance contract premiums paid is $192,317.

Company secretary

Hugh Hangchi, LLB, BComm
Appointed 27 April 2005

Mr Hangchi is a practising lawyer and has experience in providing advice to directors of listed and unlisted public companies in relation to directors' duties, the Corporations Act, the Listing Rules and corporate governance. He has also completed the Company Directors Course Diploma.

Prior to joining the Company, Mr Hangchi was a senior associate at a national law firm where he specialised in capital raisings, mergers and acquisitions and regulated takeovers. He has also worked as a solicitor with the Australian Securities and Investments Commission.

Corporate information

Corporate structure

Navitas Limited is a company limited by shares that is registered and domiciled in Australia. Navitas Limited has prepared a consolidated financial report incorporating the entities that it controlled during the financial year as listed in note 6 of the financial statements.

Nature of operations and principal activities

The principal activities during the financial year of the Group were of the provision of educational services to domestic and overseas students. There have been no significant changes in the nature of those activities during the year.

Operating and financial review

A review of the Group's operations and financial performance has been provided on pages 2 to 14.

Dividends

	Cents	$000s
Final dividend recommended		
- on ordinary shares	9.9	36,784
Interim dividend paid during the year		
- on ordinary shares	9.6	36,091
Final for 2015 shown as recommended in the 2015 report		
- on ordinary shares	10.1	38,009

Significant changes in the state of affairs

There has been no significant change in the state of affairs of the Company.

Subsequent to balance sheet date, the directors of the Company declared a final dividend on ordinary shares in respect of the 2016 financial year. The total amount of dividend is $36.784m, which represents a fully franked dividend of 9.9 cents per share. The dividend has not been provided for in the 30 June 2016 financial statements.

Future developments

Likely developments in, and expected results of the operations of the Group in subsequent years are referred to elsewhere in this report, particularly on pages 2 to 14. In the opinion of the directors, further information on those matters could prejudice the interests of the Company and the Group and has therefore not been included in this report.

Environmental regulation and performance

The Group's operations are not subject to any significant environmental regulations under the government legislation of the countries it operates in. The board believes that the Group has adequate systems in place for the monitoring of environmental regulations and is not aware of any such regulations that apply to the Group.

Rounding

The amounts contained in this report and in the financial report have been rounded to the nearest $1,000 (where rounding is applicable) under the option available to the Company under ASIC Class Order 2016/191. The Company is an entity to which the Class Order applies.

Non audit services

Details of the amounts paid to the auditor of the Company, Deloitte Touche Tohmatsu, and its related practices for audit and non audit services provided during the year are set out in note 6.3.

Auditor's independence declaration

For the financial year ended 30 June 2016, Navitas Limited applied to ASIC for relief from section 324DA of the Corporations Act (limitation on individual playing a significant role for more than 5 successive years) in relation to Andrew Timothy Richards (Deloitte partner who had acted as the lead auditor in relation to the audit of the financial report of Navitas Limited for five successive years, as at the financial year ended 30 June 2015) because Ross Jerrard (existing lead Deloitte partner at the time) announced his resignation from Deloitte and was due to leave Deloitte before 30 June 2016. Management felt that it would be extremely challenging for another partner to be able to become sufficiently familiar with the Company's business such that they could conduct an effective audit of the financial report for the period ended 30 June 2016.

Pursuant to ASIC Instrument 16-0281 dated 31 March 2016 (ASIC Declaration), ASIC gave relief to Andrew Timothy Richards so that subsection 324DA(1) of the Corporations Act applied to him in relation to the audit of Navitas Limited for the financial year ending 30 June 2016 as if references in that subsection to 5 successive financial years were references to 6 successive financial years on conditions that:

a) The directors of Navitas Limited have resolved that Andrew Timothy Richards be approved to play a significant role in the audit of Navitas Limited for the financial year ending 30 June 2016 (Board Approval);

b) The directors of Navitas Limited have lodged with ASIC a copy of the resolution referred to above for access on the public register; and

c) Navitas Limited has advised ASIC in writing that the directors' report for the financial year ending 30 June 2016 will include details of, and reasons for, the Board Approval and the effect of the ASIC Declaration.

Subsequently, Board Approval was given by way of a written resolution in accordance with rule 12.8 of the Constitution and the Company Secretary lodged a copy of that resolution with ASIC.

The auditor's independence declaration is set on page 79 and forms part of the directors' report for the financial year ended 30 June 2016.

Remuneration report

This report outlines the remuneration arrangements in place for the key management personnel (directors and executives) of Navitas Limited (the Company).

The following were key management personnel at any time during the reporting period and unless otherwise indicated were key management personnel for the entire period.

(i) Directors

Harvey Collins	Non-Executive Chairman
Rod Jones	Group Chief Executive Officer and Managing Director
Tony Cipa	Non-Executive Director
Diana Eilert	Non-Executive Director
Tracey Horton	Non-Executive Director
James King	Non-Executive Director
Lisa Paul	Non-Executive Director (appointed 2 February 2016)

(ii) Executives

Members of the Navitas Leadership Team:

Patrick Brothers	Chief Development Officer
David Buckingham	Chief Financial Officer (appointed 25 January 2016)
Mick Campbell	Chief Information Officer (appointed 23 May 2016)
Lyndell Fraser	Chief Executive Officer – Professional and English Programs (resigned 30 June 2016)
Neil Hitchcock	Group General Manager – IT (resigned 26 February 2016)
Bryce Houghton	Chief Financial Officer (resigned 30 September 2015)
Bev Hudson	Chief Executive Officer – University Partnerships North America (appointed 2 February 2016)
Scott Jones	Chief Executive Officer – SAE
Rob Lourey	Group General Manager - Human Resources
Paul Lovegrove	Chief Executive Officer – University Partnerships Europe (appointed 2 February 2016)
John Wood	Chief Executive Officer – University Partnerships Australasia

Remuneration philosophy

The performance of the Company depends upon the quality of its directors and executives. To prosper, the Company must attract, motivate and retain highly skilled directors and executives.

To this end, the Company embodies the following principles in its remuneration framework:

- Provide competitive rewards to attract high calibre executives;
- Link executive rewards to shareholder value;
- Have a significant portion of executive remuneration 'at risk', dependent upon meeting pre-determined performance benchmarks;
- Mandatory requirement for senior executives of the Company (Navitas Leadership Team) to take at least 50% of all incentive payments in the form of ordinary shares in the Company (until such executives hold a beneficial interest in shares in the Company equal to the value of their fixed remuneration); and
- Establish appropriate, demanding performance hurdles in relation to variable executive remuneration.

People and Remuneration Committee

The People and Remuneration Committee of the Board of Directors is responsible for determining and reviewing compensation arrangements for the directors, the Group Chief Executive Officer (Group CEO) and the senior management team.

The People and Remuneration Committee assesses the appropriateness of the nature and amount of remuneration of directors and senior managers on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality board and executive team.

Remuneration structure

In accordance with best practice corporate governance, the structure of non-executive director and senior manager remuneration is separate and distinct.

Use of remuneration consultants

During the year ended 30 June 2016, the People and Remuneration Committee appointed Ernst & Young (EY) and Juno Partners as advisers to assist with a review of the executive remuneration arrangements. EY and Juno Partners were engaged by, and reported to, the People and Remuneration Committee.

No remuneration recommendations (as defined by the Corporations Act) were provided by EY or Juno Partners.

When remuneration consultants are engaged by the Board, it has put in place procedures to ensure remuneration recommendations made by remuneration consultants are free from undue influence by those KMP to whom the recommendation relates. These procedures include:

- instructions for preparing remuneration recommendations are only issued to remuneration consultants by the Chairman of the People and Remuneration Committee or another non-executive director;
- the role of employees in any engagement regarding a remuneration recommendation is limited to the provision of information and opinions on current and past practices and does not include any participation in the development of recommendations;
- remuneration recommendations by remuneration consultants are made directly to the People and Remuneration Committee; and
- all remuneration recommendations made by remuneration consultants are required to include a declaration about whether the remuneration recommendation is free from undue influence by the members of the KMP to whom it relates.

Non-executive Director remuneration

Objective

The Board seeks to set aggregate remuneration at a level which provides the Company with the ability to attract and retain directors of the highest calibre, whilst incurring a cost that is acceptable to shareholders.

Structure

The Constitution and the ASX Listing Rules specify that the aggregate remuneration of non-executive directors should be determined from time to time by a general meeting. The latest determination was made at the Company's annual general meeting on 23 November 2013 where shareholders approved an aggregate remuneration of $1,100,000. An amount not exceeding the amount determined is then divided between the Directors as agreed.

The Board considers advice from external consultants as well as fees paid to non-executive directors of comparable companies when determining the remuneration. The amount of aggregate remuneration and the manner of apportionment will be reviewed periodically, and the quantum will be subject to approval by Shareholders.

Each Director receives a fee for being a director of the Company. For Directors that chair a board committee an additional fee is also paid. The payment of additional fees for chairing a committee recognises the additional time commitment required by Directors in leading the committee.

The remuneration of key management personnel, including non-executive Directors, for the year ending 30 June 2016 is detailed on page 76.

Senior manager and executive Director remuneration

Objective

The Company aims to reward executives with a level and mix of remuneration commensurate with their position and responsibilities within the Company and so as to:

- Reward executives for Company, business unit and individual performance against targets set by reference to appropriate benchmarks;
- Align the interests of executives with those of Shareholders;
- Link reward with the strategic goals and performance of the Company; and
- Ensure remuneration is competitive by market standards.

Structure

In determining the level and make up of executive remuneration, the People and Remuneration Committee considers the market levels of remuneration paid to executives of comparable companies.

Remuneration consists of the following key elements:

- Fixed Remuneration
- Variable Remuneration (ValueShare Incentive Scheme)

The proportion of fixed remuneration and variable remuneration is established for each senior manager by the People and Remuneration Committee or the Group Chief Executive Officer (as the case may be). The fixed and variable components of the remuneration of the key management personnel are detailed on page 76.

Fixed Remuneration

Objective

The level of fixed remuneration will be reviewed annually to ensure it is commensurate with Company and individual performance, as well as consistent with market rates for comparable executive roles.

Structure

Fixed remuneration can be received in a variety of forms, including cash and fringe benefits such as motor vehicles and expense payment plans. It is intended that the manner of payment chosen will be optimal for the recipient without creating undue cost for the Company.

Variable Remuneration

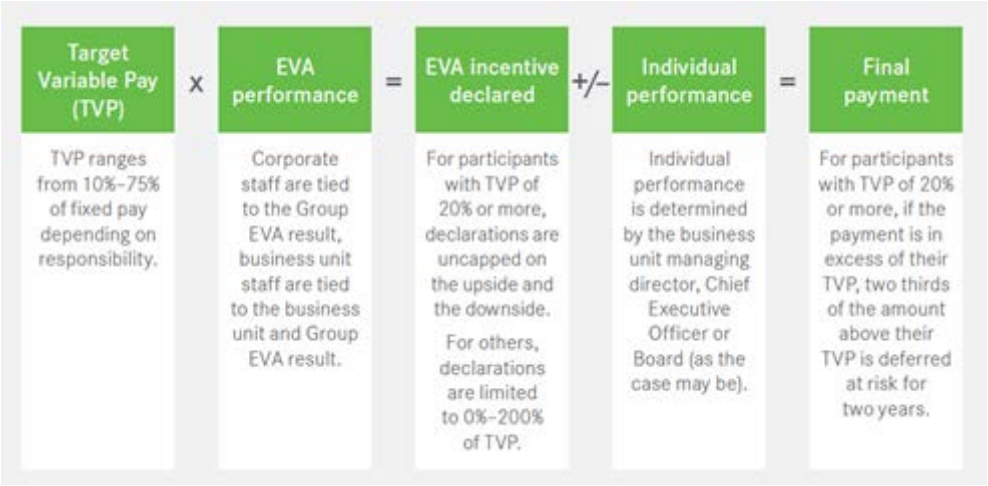
Objective

The ValueShare Incentive Scheme aims to share with participants the financial success delivered by the Group and in so doing, align their interests with those of shareholders.

An important part of the Company's ongoing success is its ability to attract and retain the best talent in the education industry and in the ten years since its inception, the ValueShare Incentive Scheme has helped Navitas achieve that goal.

Structure

The diagram below illustrates the structure of the ValueShare Incentive Scheme. Further detail is provided in the text that follows:



Captures all at-risk pay
Each participant in the ValueShare Incentive Scheme is assigned a level of Target Variable Pay (TVP) which is based on a percentage of their fixed remuneration.

It is important to note that the ValueShare Incentive Scheme comprises the entire at-risk opportunity offered to Executive KMP and all other staff who participate in at-risk incentive schemes. Navitas does not offer any form of equity based remuneration in addition to the ValueShare Scheme, for example.

Based on shareholder value
The ValueShare Incentive Scheme is based on sustained improvements in the financial performance of the Group and its Business Units, as measured by Economic Value Added (EVA®).

EVA measures the profit the business makes above and beyond what investors could expect to earn, had their funds been invested elsewhere at similar risk. As such, it is the value created by the business for shareholders.

EVA is more demanding than other profit measures such as EPS or EBITDA as it requires a reasonable return on equity to be achieved before it becomes positive. Research by independent consultancy Juno Partners shows that only about 50% of the top 300 Australian listed businesses generate positive EVA in any one year.

The Board sets the required return for investors used to calculate EVA annually and may, at its discretion, make amendments to the statutory profit to calculate EVA without affecting the underlying integrity of the scheme.

Varies with each business' financial performance
Every three years, the Board sets growth targets for the Group and each business unit. For the 2015-2017 period, the Group's growth target, if achieved, would represent top 30% performance compared to the actual three year EVA growth achieved by the top 300 Australian listed companies over 2009 – 2013[(1)]. This equates to an increase in the Group's return on capital employed to 24% and a 13% improvement over the Group's current weighted average cost of capital of 8%.

The three year target is then broken down into annual growth targets. At the end of each year, after consideration of the EVA growth achieved by the Group against its targets, an incentive declaration for each participant is determined.

EVA® is a registered trademark of Stern Stewart & Co.

[(1)] excluding investment companies, as determined by Juno Partners, an independent consultancy appointed by the Board.

TVP payments are deferred and can be forfeited if not sustained
For Executive KMP, rewards are uncapped and any amount, positive or negative, may be declared. For these participants, amounts between $0 and their TVP are settled in the current year. Any amount outside this range is settled in three equal parts, the first in the current year and the remainder in the two that follow. Deferred amounts are added to or offset against future declarations and can be lost if the employee's participation in the scheme ends for whatever reason, or if future EVA growth falls substantially below target.

Any deferred amounts do not vest in the employee and are not paid on the termination of their employment.

Incentive declarations can be negative
If EVA growth falls substantially below target, participants can suffer a negative incentive declaration. In this instance, prior year deferred amounts can be reduced or lost altogether.

Additional requirements
The aggregate of annual ValueShare Incentive Scheme payments to Executive Key Management Personnel is subject to the approval of the Board.

An additional step is taken with the aim of further strengthening the alignment of Executive Key Management Personnel and shareholders in the medium to long term.

For those executives, at least 50% of the incentive payment is used to pay for ordinary shares in the Company (at an issue price calculated as a volume weighted average market price for the 5 trading days immediately before the date of issue) until such executives hold a beneficial interest in shares in the Company equal to the value of their fixed remuneration. This ensures all Executive Key Management Personnel have a meaningful exposure to the performance of Navitas shares, funded out of the proceeds of their incentive payments.

Not a short-term incentive scheme
While payments under the ValueShare Incentive Scheme are made in cash and classified under the accounting standards as 'short-term benefits' (due to the fact that they will be paid within 12 months of year end), there are a number of elements in the Scheme that ensure rewards reflect sustained, multi-year performance. These include:

- payments reflect performance against a set of three year targets;
- two thirds of payments for above target performance are deferred;
- deferred payments are subject to loss if performance deteriorates significantly or the employee ceases to be a participant in the plan for whatever reason; and
- at least 50% of any payment must be used to purchase shares until the executive has established a holding in Navitas equal to the value of their fixed remuneration.

Remuneration Review

In 2015 the Company commenced a review of its remuneration arrangements. The purpose of this review was to ensure Navitas retains its stated objectives of rewarding executives against benchmarks that are linked to the Company's strategic goals, aligned with shareholder interests and competitive with comparator market standards.

Preliminary outcomes of the review suggest: the ValueShare Incentive Scheme remains an appropriate vehicle for executive variable reward; incentive funding will continue to be determined by EVA; the incentive reserve will be retained and there is scope to increase the weighting of performance-related compensation relative to fixed compensation and to strengthen the importance of stretching non-financial objectives as performance measures for senior executives in line with the Company's strategic objectives and good market practice.

This review will continue and any changes will form part of remuneration arrangements for the 2017 year onwards.

Incentive outcomes in 2016

Whilst Navitas achieved an increase in EBITDA during the year, the growth in EVA by the Group fell short of the target set by the Board. As a result the Group's return on capital employed for the year to 30 June 2016 fell to 21.6% (FY15: 22.8%).

Rewards declared under the ValueShare Incentive Scheme are based on the actual financial performance of the business in any one year. Rewards declared in 2016 reflected the flow through effects of changes to the MQC and SIBT on-campus contracts with Macquarie University that were announced in 2014.

Final incentive payments are subject to Board determination in September each year, but for staff working in corporate positions this will likely mean below target incentive payments will be declared for the year ended 30 June 2016.

Economic Value Added (EVA) calculation

		2016 $000s	2015 $000s
	EBITDA	164,581	163,107
+	Interest	2,216	2,200
-	Depreciation	(30,767)	(27,318)
=	Net Operating Profit Before Tax	136,030	137,989
-	Taxes at 30%	(40,809)	(41,397)
=	Net Operating Profit After Tax (A)	95,221	96,592
	Capital Employed*	436,694	421,642
x	Cost of Capital	8%	8%
=	Capital charge (B)	34,935	33,731
A-B	**Economic Value Added (EVA)**	**60,286**	**62,861**
	Opening EVA	62,861	51,779
	EVA (decrease) / increase	**(2,575)**	**11,082**

* based on the average of month end net debt and equity balances throughout the year, after adjustments.

Cash bonuses for participants have been provided for in the financial statements for 30 June 2016, but as noted above, are subject to review and confirmation by the Board in September.

Relationship of rewards to performance

In the opinion of the directors the Company's remuneration policies have contributed to the Company's success in creating shareholder value, as demonstrated by the following table which has key measures of the Group's earnings and shareholder returns over the last 10 years.

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Economic Value Added (EVA) ($m)	$60.29	$62.86	$51.78	$46.10	$38.12	$57.88	$54.53	$40.64	$27.29	$20.59
Dividends per share - paid and proposed (cents)	19.5	19.5	19.5	19.5	19.5	20.7	18.8	14.3	10.9	9.3
Dividends paid ($m)	$74.1	$73.3	$72.8	$72.8	$80.3	$68.7	$57.8	$40.1	$33.7	$31.5
Closing share price (at 30 June)	$5.49	$4.29	$7.13	$5.77	$4.34	$4.03	$4.66	$2.73	$2.09	$1.89
Earnings per share (cents)	24.0	19.1	13.7	19.9	19.5	21.7	18.8	14.3	10.8	9.3
Earnings per share before amortisation and impairment (cents)	24.2	24.5	22.1	20.0	19.8	22.9	19.4	14.6	12.2	10.6
Net profit after tax attributable to members of the Company ($m)	$90.08	$71.81	$51.58	$74.58	$73.15	$77.30	$64.20	$49.20	$37.43	$32.25
Return on capital employed	22%	23%	20%	19%	19%	50%	59%	47%	34%	27%

Employment Contracts

A summary of the key employment contract terms for the executive key management personnel is provided below. None of the non-executive Directors have an employment contract with the Company.

Key Management Personnel

Executive **John Wood**^, **Lyndell Fraser** (resigned 30 June 2016), **Neil Hitchcock** (resigned 26 February 2016)

	Termination by notice	Termination for Material Change*
Notice period (by Executive/Company)	3 months	6 months by Company 2 months by Executive
Termination payments	~	3 months
Term – no term specified		

* Material Change is defined as there being a material diminution in the employee's responsibilities, or the employee is required to relocate outside their home state.

^ For this executive, a Material Change also includes where a third party acquires a controlling interest in the Company.

~ Instead of giving the notice set out in the table above, the Company may terminate by paying 3 months remuneration instead of the notice, or a combination of notice and payment.

Executive **Rob Lourey, Scott Jones**, **Patrick Brothers, Bev Hudson, Paul Lovegrove**¥ (commenced 20 July 2015), **David Buckingham** (appointed 25 January 2016)**,** **Mick Campbell** (appointed 23 May 2016)

	Termination by notice
Notice period (by Executive/Company)	3 months
Termination payments	ω
Term – no term specified	

¥ For this executive, the 3 month notice period by the Company applies during the first five years of employment.

ω The Company at its discretion, may pay the executive the equivalent amount of remuneration set out in the table above in lieu of notice of termination.

Employment Contracts (continued)

Executive **Bryce Houghton**‡ (resigned 30 September 2015)

	Termination by notice	Termination for Material Change‡
Notice period (by Executive/Company)	1 month	1 month
Termination payments	In the event of termination by Company, final termination payment equivalent to the fixed remuneration for a maximum of 12 months or the balance of the employment contract, whichever is greater	Final terminal payment equivalent to the fixed remuneration for balance of the employment contract
Term – 3 years, commencing from 19 July 2013.		

‡ For this executive, a Material Change means where there is a material diminution in the remuneration of the employee, or the responsibilities and powers assigned to the employee.

Executive **Rod Jones**

	Termination by notice
Notice period (by Executive/Company)	6 months
Termination payments	β
Term – no term specified	

β Instead of giving the notice set out in the table above, the Company may terminate by paying remuneration equivalent to the notice period.

Remuneration and shareholdings of directors and other key management personnel

The aggregate compensation made to key management personnel of the Company and the Group is set out below:

	2016 $000s	2015 $000s
Short term benefits	6,849	7,289
Post employment benefits	288	293
Other long term benefits	51	126
	7,188	7,708

The detailed compensation of each member of key management personnel of the Group is set out on page 76.

Shareholdings of key management personnel

The movement during the reporting period in the number of ordinary shares in Navitas Limited held, directly, indirectly or beneficially, by each key management person, including their related parties, is as follows:

(i) Directors

	Balance at 1 July 2014	Additions	Disposals*	Balance at 30 June 2015	Additions	Disposals*	Balance at 30 June 2016
Harvey Collins	43,948	-	-	43,948	-	-	43,948
Rod Jones	45,017,995	-	-	45,017,995	100,000	-	45,117,995
Tony Cipa	-	10,000	-	10,000	-	-	10,000
Diana Eilert (1)	-	-	-	-	-	-	-
Ted Evans (2)	60,000	-	(60,000)	-	-	-	-
Tracey Horton	-	2,000	-	2,000	4,000	-	6,000
James King	50,000	-	-	50,000	-	-	50,000
Peter Larsen (2)	23,433,610	-	(23,433,610)	-	-	-	-
Lisa Paul (3)	-	-	-	-	-	-	-
	68,605,553	12,000	(23,493,610)	45,123,943	104,000	-	45,227,943

(1) Appointed 28 July 2014
(2) Resigned 4 November 2014
(3) Appointed 2 February 2016
* Shares held at date of resignation recorded as a disposal in above table.

(ii) Executives

	Balance at 1 July 2014	Additions	Disposals*	Balance at 30 June 2015	Additions	Disposals*	Balance at 30 June 2016
Patrick Brothers (4)	-	-	-	-	6,973	-	6,973
David Buckingham (5)	-	-	-	-	21,550	-	21,550
Mick Campbell (6)	-	-	-	-	-	-	-
Lyndell Fraser (7)	52,637	23,352	-	75,989	19,184	(95,173)	-
Neil Hitchcock (8)	103,161	2,309	-	105,470	-	(105,470)	-
Bryce Houghton (9)	87,009	-	-	87,009	-	(87,009)	-
Bev Hudson (10)	-			-	-	-	-
Scott Jones (11)	-	20,000	-	2,320,136	10,000	(120,000)	2,210,136
Rob Lourey	1,334	7,562	-	8,896	11,202	-	20,098
Paul Lovegrove (10)	-	-	-	-	-	-	-
John Wood	122,321	-	-	122,321	-	-	122,321
	366,462	53,223	-	2,719,821	68,909	(407,652)	2,381,078

(4) Appointed 10 November 2014
(5) Appointed 25 January 2016
(6) Appointed 23 May 2016
(7) Resigned 30 June 2016
(8) Resigned 26 February 2016
(9) Resigned 30 September 2015
(10) Appointed to the Navitas Leadership Team effective 2 February 2016
(11) Appointed to the Navitas Leadership Team effective 1 July 2014. Mr Jones' balance at appointment was 2,300,136
* Shares held at date of resignation recorded as a disposal in above table.

(a) Directors' and Executives' Remuneration

2016 $	Short term benefits Salary & Fees	Cash bonus *(i)*	Non monetary benefits	Post-employment Superannuation	Other long term benefit *(ii)*	Total	Performance related %	Balance of Deferred Cash Bonuses (*iii*)
Non-executive Directors								
Harvey Collins	234,905	-	-	35,095	-	270,000	-	-
Tony Cipa	127,854	-	-	12,146	-	140,000	-	-
Diana Eilert	115,068	-	-	10,932	-	126,000	-	-
Tracey Horton	127,854	-	-	12,146	-	140,000	-	-
James King	126,000	-	-	-	-	126,000	-	-
Lisa Paul (1)	47,489	-	-	4,511	-	52,000	-	-
	779,170	-	-	74,830	-	854,000	-	-
Executive Director *(iv)*								
Rod Jones	950,084	209,932	44,872	35,044	17,173	1,257,105	17%	39,670
Other Key Management Personnel *(iv)*								
Patrick Brothers	507,642	84,954	12,183	19,308	13,196	637,283	13%	7,689
David Buckingham (2)	245,863	30,961	3,147	8,367	-	288,338	11%	-
Mick Campbell (3)	39,217	4,060	5,504	2,827	-	51,608	8%	-
Lyndell Fraser (4)	449,238	-	-	27,680	-	476,918	-	-
Neil Hitchcock (5)	408,780	-	6,968	14,481	-	430,229	-	-
Bryce Houghton (6)	769,893	-	63,671	8,833	-	842,397	-	-
Bev Hudson (7),(8)	162,854	57,975	941	8,143	-	229,913	25%	-
Scott Jones (9)	578,880	256,854	-	-	-	835,734	31%	(3,279)
Rob Lourey	409,467	60,369	-	23,133	9,550	502,519	12%	13,329
Paul Lovegrove (7),(9)	130,705	13,942	-	29,046	-	173,693	8%	-
John Wood	478,851	81,441	-	36,149	11,451	607,892	13%	54,886
	5,131,474	800,488	137,286	213,011	51,370	6,333,629	13%	112,295
Total	5,910,644	800,488	137,286	287,841	51,370	7,187,629	11%	112,295

For notes (*i*) through (*iv*) see page 78.

(1) Appointed 2 February 2016
(2) Appointed 25 January 2016
(3) Appointed 23 May 2016
(4) Resigned 30 June 2016. Salary & fees includes a termination payment of $101,394
(5) Resigned 26 February 2016
(6) Resigned 30 September 2015. Salary & fees includes a termination payment of $515,591
(7) Appointed 2 February 2016
(8) Remuneration is settled in Canadian Dollars
(9) Remuneration is settled in Great British Pounds

(a) Directors' and Executives' Remuneration (continued)

2015 $	Short term benefits Salary & Fees	Cash bonus *(i)*	Non monetary benefits	Post-employment Superannuation	Other long term benefit *(ii)*	Total	Performance related %	Balance of Deferred Cash Bonuses (*iii*)
Non-executive Directors								
Harvey Collins	234,191	-	-	35,809	-	270,000	-	-
Tony Cipa	126,927	-	-	12,058	-	138,985	-	-
Diana Eilert	107,147			10,179		117,326		
Ted Evans (10)	47,833	-	-	-	-	47,833	-	-
Tracey Horton	125,287	-	-	11,902	-	137,189	-	-
James King	127,014	-	-	-	-	127,014	-	-
Peter Larsen (10)	39,241	-	-	12,625	-	51,866	-	-
	807,640	-	-	82,573	-	890,213	-	-
Executive Director *(iv)*								
Rod Jones	987,069	977,050	6,398	36,533	10,004	2,017,054	48%	79,339
Other Key Management Personnel *(iv)*								
Patrick Brothers (11)	239,220	107,367	19,899	12,209	-	378,695	28%	15,378
Lyndell Fraser	372,520	210,074	-	18,783	42,347	643,724	33%	93,026
Neil Hitchcock	361,634	198,419	588	18,783	13,949	593,373	33%	15,139
Bryce Houghton	435,100	345,710	54,147	35,958	34,820	905,735	38%	25,131
Scott Jones (12),(13)	508,261	215,560	-	18,783	-	742,604	29%	(6,557)
Rob Lourey	397,897	207,145	-	34,608	10,546	650,196	32%	26,659
John Wood	479,234	357,596	588	35,084	13,959	886,461	40%	109,772
	3,780,935	2,618,921	81,620	210,741	125,625	6,817,842	38%	357,887
Total	4,588,575	2,618,921	81,620	293,314	125,625	7,708,055	34%	357,887

For notes (*i*) through (*iv*) see page 78.

(10) Resigned 4 November 2014
(11) Appointed 10 November 2014
(12) Appointed 1 July 2014
(13) Remuneration is settled in Great British Pounds

Remuneration of directors and other key management personnel (continued)

(i) Cash bonus comprises the annual incentive (ValueShare Incentive Scheme) payments payable in September of each financial year after review and confirmation by the Board. Under the terms of the scheme payments will only be made if the participant is an employee at the date of payment. The cash bonus includes the amount provided as payable in relation to the 2016 financial year, adjusted for the difference between the amount provided for in the 2015 financial year and the actual amount paid in September 2015.

(*ii*) Other long term benefits include movements in Long Service Leave.

(*iii*) Deferred Cash Bonuses are the balances for key management persons (KMP) who hold a position as KMP at 30 June, and who are participants in the incentive scheme. As noted on page 70 of the Directors' Report, for some participants in the ValueShare Incentive Scheme, rewards outside of the range of $0 to the participant's Target Variable Pay are settled in three equal parts, the first in the current year and the remainder in the two that follow. The Balance of Deferred Cash Bonuses is the total of these deferred amounts. It does not vest with the executive. The executive is not entitled to any portion of the Balance of Deferred Cash Bonuses upon termination. For the purposes of the remuneration report the Balance of Deferred Cash Bonuses does not form part of compensation for the year.

(*iv*) For these executives, at least 50% of the incentive payment will be used to pay for ordinary shares in the Company (at an issue price calculated as a volume weighted average market price for the 5 trading days immediately before the date of issue) until such executives hold a beneficial interest in shares in the Company equal to the value of their fixed remuneration. This requirement will be determined based on shareholdings in the Company as disclosed by these executives in August of each financial year. It is therefore not currently possible to quantify the component of the cash bonus that will be used to buy ordinary shares in the Company.

Independent Audit and Remuneration Report

The required disclosures as included on pages 66 to 78 of this remuneration report have been audited by Deloitte Touche Tohmatsu.

The directors' report, including the remuneration report, is signed in accordance with a resolution of the Directors.

R Jones
Group Chief Executive Officer and Managing Director

Perth, Western Australia, 1 August 2016

Deloitte Touche Tohmatsu
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The Board of Directors
Navitas Limited
Level 8, Brookfield Place
125 St Georges Terrace
Perth WA 6000

1 August 2016

Dear Directors

Navitas Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Navitas Limited.

As lead audit partner for the audit of the financial statements of Navitas Limited for the financial year ended 30 June 2016, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

A T Richards
Partner
Chartered Accountants

Navitas Limited

Directors' Declaration

In accordance with a resolution of the directors of Navitas Limited, I state that:

1. In the opinion of the Directors:

(a) the financial statements and notes are in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the financial position as at 30 June 2016 and the performance for the year ended on that date of the consolidated entity; and

(ii) complying with Australian Accounting Standards and the Corporations Regulations 2001;

(b) the attached financial statements are in compliance with International Financial Reporting Standards, as stated in note 1.1 to the financial statements; and

(c) there are reasonable grounds to believe that the Company will be able to pays its debts as and when they become due and payable.

2. This declaration has been made after receiving the declarations required to be made to the Directors in accordance with sections 295A of the Corporations Act 2001 for the financial year ended 30 June 2016.

3. In the opinion of the Directors, as at the date of this declaration, there are reasonable grounds to believe that the members of the Closed Group identified in note 6.1.1 will, as a group, be able to meet any obligations or liabilities to which they are or may become subject, by virtue of the Deed of Cross Guarantee.

On behalf of the Board

R Jones
Group Chief Executive Officer and Managing Director

Perth, Western Australia, 1 August 2016

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Independent Auditor's Report to the members of Navitas Limited

Report on the Financial Report

We have audited the accompanying financial report of Navitas Limited, which comprises the statement of financial position as at 30 June 2016, the statement of profit or loss and other comprehensive income, the statement of cash flows and the statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity, comprising the company and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 24 to 58 and 80.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the consolidated financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control, relevant to the company's preparation of the financial report that gives a true and fair view, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Deloitte.

Auditor's Independence Declaration

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Navitas Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

In our opinion:

(a) the financial report of Navitas Limited is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

(b) the consolidated financial statements also comply with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included on pages 66 to 78 of the directors' report for the year ended 30 June 2016. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion the Remuneration Report of Navitas Limited for the year ended 30 June 2016, complies with section 300A of the *Corporations Act 2001*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

A T Richards
Partner
Chartered Accountants
Perth, 1 August 2016

Glossary

ACAP	Australian College of Applied Psychology
ACBT	Australian College of Business and Technology Pvt Ltd
AMEP	Adult Migrant English Program
AQTF	Australian Quality Training Framework
ASIC	Australian Securities and Investments Commission
ASX	ASX Limited
ASX Listing Rules	The official listing rules of the ASX
ATTC	Australian TESOL Training Centre
BAC	British Accreditation Council
BCUIC	Birmingham City University International College
Board	The board of directors of Navitas
CELUSA	Centre for English Language at the University of South Australia
Constitution	The constitution of the Company
Corporations Act	Corporations Act 2001 (Cth)
CRIC	Cambridge Ruskin International College Limited
CRICOS	Commonwealth Register of Institutions and Courses for Overseas Students
Curtin College	Colleges of Business and Technology Pty Ltd trading as Curtin College
Curtin Singapore or Curtin Singapore Campus	Curtin University of Technology Singapore Campus
Curtin Sydney or CUS	Curtin University of Technology Sydney Campus
Deakin College	Melbourne Institute of Business and Technology Pty Ltd trading as Deakin College
DIBP	Department of Immigration and Border Protection
Directors	Directors of Navitas
DoET	Department of Education and Training
EBITDA	Earnings before interest, taxation, depreciation, amortisation and goodwill impairment
EduGlobal	EduGlobal China Limited
ELICOS	English Language Intensive Courses for Overseas Students
EOL	Employment Overseas Limited
EPS	Earnings per share
ESOS Act	Education Services for Overseas Students Act 2000 (Cth)
EVA®	Economic Value Added®
Eynesbury	Educational Enterprises Australia Pty Ltd trading as Eynesbury International
FAU	Navitas at Florida Atlantic University
FEE-HELP	A government loan scheme to help eligible non-Commonwealth supported (fee paying) students pay their tuition fees

Glossary

FIC	Fraser International College
Group or Navitas Group	Navitas and its subsidiary companies
Griffith College	Queensland Institute of Business & Technology Pty Ltd trading as Griffith College
Hawthorn-Melbourne	Hawthorn Learning Pty Ltd trading as Hawthorn-Melbourne
HIC	HIBT Limited trading as Hertfordshire International College
HSA	Health Skills Australia Pty Ltd
HSS	Humanitarian Settlement Services
HTS	Highly Trusted Sponsor
ICM	International College of Manitoba
ICP	International College Portsmouth Limited
ICRGU	International College Robert Gordon University
ICWS	International College Wales Limited
KPI	Key Performance Indicator
LBIC	London IBT Limited trading as LBIC
LLNP	Language, Literacy and Numeracy Program
LTM	La Trobe Melbourne
LTUSC	La Trobe University Sydney Campus
MOOC	Massive Open Online Courses
MQC	Macquarie City Campus
Navitas or Company	Navitas Limited ABN 69 109 613 309
Navitas at UNH	Navitas at the University of New Hampshire
NRI	Navitas Resources Institute
NCPS	Navitas College of Public Safety Pty Ltd
NPAT	Net profit after tax
NQF	National Qualifications Framework
pcp	prior comparative period
PDIC	Plymouth Devon International College Limited
PEP	Professional and English Programs
PIBT	Perth Institute of Business and Technology Pty Ltd
PIBT IEC	PIBT International English Centre
PY	Professional Year
QAA	Quality Assurance Agency for higher education
RTO	Registered training organisation
SAE	SAE Institute
SEE	Skills for Education and Employment
Shareholder	A holder of a Share

Glossary

Shares	Fully paid ordinary shares in the capital of the Company
SIBT	Sydney Institute of Business and Technology Pty Ltd
SOL	Study Overseas Limited
SPP	Special Preparatory Program
StudyLink	Learning Information Systems Pty Ltd trading as StudyLink
TEQSA	Tertiary Education Quality and Standards Agency
TESOL	Teachers of English to Speakers of Other Languages
TVP	Target variable pay
UCC	University of Canberra College
UCIC	UC International College
UMass Boston	Navitas at University of Massachusetts Boston
UMass Dartmouth	Navitas at University of Massachusetts Dartmouth
UMass Lowell	Navitas at University of Massachusetts Lowell
UNIC	University of Northampton International College
UKBA	UK Border Agency
UPD	University Partnerships Division
VET	Vocational education and training
WACC	Weighted average cost of capital
WKU	Navitas at Western Kentucky University
WSUIC	Western Sydney University International College

Corporate Information

Directors

Executive Directors

Mr Rod Jones

Non-Executive Directors

Mr Harvey Collins

Mr Tony Cipa

Ms Diana Eilert

Ms Tracey Horton

Mr James King

Ms Lisa Paul

Company Secretary

Mr Hugh Hangchi

Registered Office

Navitas Limited
Level 8, Brookfield Place
125 St Georges Terrace
Perth WA 6000

Share Registrar

Computershare Investor Services Pty Limited
Level 2, 45 St Georges Terrace
Perth WA 6000

Auditor

Deloitte Touche Tohmatsu
Brookfield Place, Tower 2
123 St Georges Terrace
Perth WA 6000

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